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LOS ANGELES COUNTY **LAFCO**

**Harbor Proposal for
Special Reorganization**
Comprehensive Fiscal Analysis

January 9, 2002

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1. Purpose and Findings of the Study

The purpose of the Comprehensive Fiscal Analysis (CFA) is to assess the fiscal impact of an incorporation of a new "Harbor City" in the Harbor area of the City of Los Angeles (i.e. a "special reorganization" within the City). This document addresses the requirements of a comprehensive fiscal analysis as defined in the Government Code and provides analysis of factors that must be considered by LAFCO in making its determination whether to approve the Harbor proposal for submission to the electors.

The Government Code requires that as part of the review of any proposal which includes a proposal for incorporation, the LAFCO executive officer must prepare a report including a comprehensive fiscal analysis and a recommendation of the proposal.¹ Prior to the approval of any proposal for reorganization the commission must find that the "proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation."²

In addition, the commission cannot approve the incorporation unless:

- (1) it finds that the current revenues received by the City that would accrue to the proposed city are "substantially equal" to the current expenditures made by the City for services that would be assumed by the proposed city,³ or
- (2) any negative fiscal impact "has been adequately mitigated by tax sharing agreements, lump-sum payments, payments over a fixed-period of time, or any other terms and conditions" imposed by the commission.⁴

The calculation to determine whether there would be a transfer of substantially equal revenues and expenditures from the City has been described as a test of "revenue neutrality."

In addition to revenue neutrality, LAFCO must also consider other factors in the review of a proposal for special reorganization. LAFCO must consider "the present cost and adequacy of government services and controls in the area," as well as the "probable effect [of the special reorganization] on the costs and adequacy of services and controls in the area and adjacent areas."⁵

¹ Section 56833.1. The text of this section has been recodified as Government Code Section 56800.

² Section 56375.1. Text recodified as Section 56720.

³ Section 56845(b). Text recodified as Section 56815(b).

⁴ Section 56845(c)(2). Text recodified as Section 56815(c).

⁵ Section 56841. Text recodified as Section 56668(b).

Background

The Cortese-Knox Local Government Reorganization Act of 1985 (former Government Code Section 56000 et seq.)⁶ sets forth procedures for changes of organization or reorganization of local governments, including a “special reorganization” of an existing city. The Act defines a special reorganization as “a reorganization that includes the detachment of territory from a city or city and county and the incorporation of that entire detached territory as a city.”⁷ Because the definition of a special reorganization refers to an incorporation, it is assumed for the purposes of the comprehensive fiscal analysis that all references to an incorporation in the Act are applicable to a special reorganization.

To initiate a special reorganization, the Act requires that a proponent obtain signatures from 25 percent of the voters or landowners in the area to be incorporated. The petition is submitted as part of an “application for proposal” that also includes a map of the boundaries and the names of three chief petitioners. As part of the review of the application, the commission’s executive officer prepares a comprehensive fiscal analysis report including a recommendation on the application. The commission then holds hearings to review the proposal. If the commission approves the proposal, a public hearing is held to hear protests and objections. If not more than 50 percent of the voters protest, an election is called in both the territory to be detached from the city, and the entire territory of the city. In the event of an election, the majority of the voters in both the proposed new city and the city as a whole must favor the new city formation for it to take effect.

Seven-Step Process

To facilitate the review of proposals for special reorganization, LAFCO has adopted the following Seven-Step process for conducting the required study.

1. **Applicant Identifies Needs for Data Collection** – Applicant submits to LAFCO what it believes should be requested, analyzed and reviewed in terms of data from the City of Los Angeles.
2. **LAFCO Prepares a Request for Information** – LAFCO determines what it needs from City of Los Angeles in terms of data and how it is to be presented and prepares a request for information.
3. **Data Collection** – City of Los Angeles responds to LAFCO’s request for information and provides comprehensive data.
4. **Review, Analysis of Data** – LAFCO reviews, analyzes, and packages information submitted by the City of Los Angeles. Guidelines are established for Applicant; City to prepare a response and a proposal.
5. **Applicant Reorganization Proposal** – Applicant submits proposal for Special Reorganization.
6. **Response to Applicant Proposal** – City of Los Angeles responds to Applicant’s proposal.
7. **Final Plan – Comprehensive Fiscal Analysis** – LAFCO prepares final plan based on all information gathered including proposals from Applicant and the City of Los Angeles. Feasibility determined.

⁶ The Cortese-Knox Act was recently amended and is now known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (the “Hertzberg Act”). The Hertzberg Act, which became effective January 1, 2001, is not applicable to the special reorganization process for the San Fernando Valley proposal because the application was filed prior to the effective date.

⁷ California Government Code, Section 56075.5.

In addition to the steps described above, LAFCO has further required that the applicant for special reorganization develop a "vision statement" for its proposed city that, among other things, describes the governance and management structure for the proposed new city, the organization of all city departments of the proposed new city, and the existing City of Los Angeles services the applicant intends to provide. The purpose of the vision statement was to better identify the goals of the applicant in order to facilitate the LAFCO data request from the City.

LAFCO has also caused the preparation of an initial fiscal analysis as part of step 4 of the Seven-Step process. This initial fiscal analysis was intended to provide information needed by the applicant to prepare its final proposal.

The key documents prepared by LAFCO, or submitted by the applicant and the City of Los Angeles, as part of the LAFCO special reorganization process are summarized in the table below.

SUMMARY OF DOCUMENTS PREPARED FOR SPECIAL REORGANIZATION CFA PROCESS

<u>Document</u>	<u>Responsible Party</u>	<u>Date(s)</u>
Voter Petition	Applicant	May 1, 1999
Application to Initiate Proceedings	Applicant	June 2, 1999
Applicant's Identification of Data Needs	Applicant	August 11, 1999
Vision Statement	Applicant	April 28, 2000
Request for Information from City	LAFCO	May 23, 2000
Request for Information from City (revised)	LAFCO	June 20, 2000
Request for Information from City (revenue items)	LAFCO	January 23, 2001
City response to data requests	City	June 20, 2000 through March 29, 2001
Initial Fiscal Analysis	LAFCO	April 25, 2001
Final Proposal (Applicant's "Reorganization Plan")	Applicant	June 8, 2001
City Response to Proposal	City	July 19, 2001
Draft Comprehensive Fiscal Analysis	LAFCO	October 4, 2001
Final Comprehensive Fiscal Analysis	LAFCO	January 9, 2002

Special Reorganization Terms and Conditions

The CFA is a component of a larger special reorganization process, which, in addition to the steps already completed, will involve: (1) the preparation of a report by the LAFCO executive officer that includes his recommendations on the application, (2) LAFCO public hearings to review the proposal for special reorganization, and (3) a final determination by LAFCO to approve or not approve the proposal.

A determination by LAFCO to approve the proposal for special reorganization may be subject to various "terms and conditions," which may address issues including the transfer of assets from the City and the form of mitigation for any fiscal imbalance caused by the special reorganization. Although it is expected that the CFA will assist LAFCO in drafting its terms and conditions, the CFA does not create or impose any terms and conditions for the proposed special reorganization. The CFA is intended primarily to assist the LAFCO executive officer in making his recommendations to the commission. The CFA has made findings regarding the fiscal impact of the proposed special reorganization based upon a set of reasonable assumptions, which were developed in consideration of, among other things, the manner the City currently provides services to the Harbor area, the municipal revenues generated in the area, the legal framework guiding special reorganizations, and the incorporation of other California cities.

Findings of the Comprehensive Fiscal Analysis

Based on the assumptions used in this report regarding the method of providing service to the Harbor City and the amount of revenue that would accrue to the new city, the CFA has found that:

- The City of Los Angeles currently expends \$34.2 million more in the Harbor than the amount of revenues generated in the area.
- Because current expenditures exceed revenues, a new Harbor City would be required to reduce the cost of municipal services to meet its revenue constraints.
- It is not known with certainty how the new city would achieve cost reductions, or precisely when the reductions would be realized.⁸
- The impact of any cost reduction measures on the adequacy of services in the Harbor area is uncertain.
- Despite uncertainty over potential cost reductions and service level impacts, several cities in the greater Los Angeles region similar in size to the Harbor Area provide municipal services with a level of general fund revenues comparable to or even notably less than that generated in the Harbor Area. The lower general fund expenditures per capita in these comparable cities makes it reasonable to assume that a new Harbor City could achieve cost savings over time.
- Assuming it could implement cost saving measures successfully, a new Harbor City appears to possess a sufficient revenue base to be fiscally viable.

Key Assumptions Used in Report

The findings in the CFA are based on the following key assumptions regarding the provision of services and payment by the new Harbor City.

- (1) The new city will rely on the City of Los Angeles to furnish virtually all municipal services in the Harbor area pursuant to a “transition period” of limited duration imposed by LAFCO and/or through a “purchase of service” agreement negotiated by the cities.⁹
- (2) The new city will reimburse the City of Los Angeles for all direct and indirect costs of providing service.

⁸ The applicant has provided to LAFCO a conceptual plan to achieve costs savings. This plan is evaluated in “Appendix I: Analysis of Final Proposal and City Response - Evaluation of Harbor Incorporation Analysis” of the CFA.

⁹ During the “transition period” the City of Los Angeles will be required to continue furnishing municipal services to a new Harbor City. The Applicant has requested a transition period of 18 months. The City of Los Angeles has requested that the transition period be no more than one year. LAFCO will ultimately determine the length of the transition period and the terms for the provision of services. For purposes of this analysis, it is assumed that if the length of the transition period is less than three years, for the balance of the first three years of incorporation not covered by the transition period, the City of Los Angeles will provide services to the new Harbor City pursuant to a negotiated contract. It is assumed that the services provided and the cost of those services will be the same during the transition period and under contract, although the cities may ultimately negotiate for the provision of different services or levels of service and different payment terms or for the transfer of some or all service responsibilities to the new Harbor City.

- (3) The City of Los Angeles will continue to collect a substantial amount of revenue on behalf of the new city, and will retain the revenue as payment for service.
- (4) The new city will employ staff sufficient to perform primarily limited functions.

Further discussion regarding the assumed method of providing service to the Harbor is included in section "Service Alternatives for the Harbor." The methodology used to estimate the cost of service is included in "Appendix II: Cost of Purchased Services." The staffing plan for the new city is provided in section "Financial Viability of New City - Harbor City Costs - Harbor City Personnel Costs."

An alternative scenario has been included in this report that relies on a differing set of assumptions than those stated above. This scenario evaluates the impact of possible cost reduction initiatives the new city could implement in order to reduce the projected imbalance in revenues and expenditures (see section "Financial Viability of New City - Budget Summary - Alternative Scenario").

Data Sources

Most of the data used in this analysis have been provided by the City of Los Angeles, as part of the data collection process described in the LAFCO Seven-Step process. The City has provided LAFCO information regarding, among other things, its various municipal services, budgeted expenditures, staffing, organization of personnel, service territories, asset inventories, and revenues.

The primary sources of data and the application of the data in this analysis are summarized in the table below.

PRIMARY DATA SOURCES USED IN COMPREHENSIVE FISCAL ANALYSIS

<u>Data Source</u>	<u>Application</u>
Adopted Budget (including supplements), Fiscal Year 2000-01	Base year City expenditures, departmental staffing
Department Organization Charts, Fiscal Year 2000-01, Fiscal Year 1999-00	Allocation of workload by division, geographic location of personnel
Position Descriptions	Allocation of workload by position, geographic location of personnel
Maps of Service Territory	Distribution of departmental workload, geographic location of facilities
Interviews with City department managers	Services provided by department, allocation of workload, unique circumstances facing the department, barriers to the division of assets and services
Census 2000	Relative population of Harbor special reorganization area
Geographic Revenue Analysis for Fiscal Year 1998-99	Geographic source of City revenues
County of Los Angeles Property Tax Assessments, Fiscal Year 1999-00	Geographic source of City property taxes
County of Los Angeles Urban Research Division Sales Tax Revenue Analysis for Fiscal Year 1998-99	Geographic source of City sales taxes
Budgets of cities of comparable size to the Harbor Area and for newly incorporated cities	Benchmarks for city revenues and expenditures

Financial Viability of the Harbor City

To determine whether a Harbor City could be financially viable, the revenues and expenditures for the new city have been projected under two alternative scenarios. A base scenario assumes the new city would need to rely on the City of Los Angeles for services during its first three and one half years of incorporation, and would be unable to reduce services or costs during this time. Under this scenario, it is estimated that a Harbor City would not achieve positive fund balances for the first three years after incorporation and therefore not maintain a reasonable level of reserves. An alternative scenario is also provided that assumes the new city would achieve a significant amount of cost reductions, and would be able to repay the City of Los Angeles for the net cost of providing services over a 10-year period.

Harbor City Expenditures and Revenue

Under the base scenario, the estimated budget for the new city would be primarily comprised of a payment to the City of Los Angeles for the cost of services provided in the Harbor. It is estimated that the new city would owe the City \$157.8 million in fiscal year 2003-04 for the cost of purchased services. In addition to this purchased service payment, the new city would require some amount of staffing, and at a minimum, would expend \$1.7 million in personnel and other costs.

For comparison purposes, the following table shows the projected Harbor City budget (unadjusted for inflation) for fiscal year 2002-03 through 2005-06.

**HARBOR CITY PROJECTED BUDGET
FISCAL YEAR 2002-03 THROUGH 2005-06
(Unadjusted for Inflation)**

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Revenue:				
General Fund	\$ 51,039,192	\$ 102,078,383	\$ 102,078,383	\$ 102,078,383
Special Purpose Funds	10,935,151	21,870,303	21,870,303	21,870,303
Total Revenue:	61,974,343	123,948,686	123,948,686	123,948,686
Expenditures:				
Harbor City Personnel	\$ 758,311	\$ 1,277,147	\$ 1,277,147	\$ 1,277,147
Harbor City Non-Departmental Costs	364,011	444,467	444,467	444,467
City of Los Angeles Purchased Services	78,911,434	157,822,869	157,822,869	157,822,869
City of Los Angeles Administrative Costs	315,646	315,646	315,646	315,646
City of Los Angeles Redistricting Costs	1,000,000	-	-	-
City of Los Angeles Election Costs	-	-	-	-
Mitigation Payment	-	-	-	-
Total Expenditures	81,349,403	159,860,128	159,860,128	159,860,128
Revenue Less Expenditures	(19,375,060)	(35,911,442)	(35,911,442)	(35,911,442)
Available Balance	(19,375,060)	(55,286,502)	(91,197,944)	(127,109,387)

* December 16, 2002 effective date for new city.

In the projected budget, it has been assumed that the effective date of the Harbor City incorporation would be December 16, 2002. The revenues and expenditures for the new city are therefore prorated during fiscal year 2002-03.

Requirements for Financial Viability

Because the City's estimated cost of providing services to the Harbor is greater than the revenue generated in the area, and the City would likely need to provide services at least during a transition period, the following events must occur in order that the new city can attain positive fund balances:

- The City of Los Angeles does not recover the estimated fully allocated cost of providing service to the Harbor area, or the City and new city agree that the City will be reimbursed when funds are available.
- The new city must immediately implement cost reductions.

As estimated in the CFA, the City's cost of providing service to the Harbor area is currently supported by revenue of the entire City. If the remaining City were to continue to subsidize the Harbor area, at least until the new city could reduce costs or services to a sustainable level, the new city would not incur the large deficits projected in the base scenario of CFA. Repayment of the City's costs (in excess of the revenues generated by the new city) could be deferred indefinitely, or until such time as funds are available.

The new city may also be able to reduce its costs by reducing the level of service provided or replacing City of Los Angeles service with a lower cost provider. For example, it is estimated that the new city could be able to fund its expenditures if it is able to achieve \$20 million in annual cost savings through contracting with the Los Angeles County Sheriff, and the City of Los Angeles is able to redeploy approximately 250 employees, which currently serve the Harbor, to other areas of the City (see "Financial Viability of New City - Potential Cost Reductions").

Under the assumption that the new Harbor City would be able to constrain its expenditures by some combination of the cost saving initiatives described above, the table below presents a "target" budget for the new city under which it could be financially viable. The target budget assumes that:

- The new city would receive services from the City of Los Angeles during an 18-month transition period.
- The City of Los Angeles would be repaid (with interest) for the net cost of providing services during the transition period over a ten-year period.
- After the transition period, the new city would reduce its expenditures by \$47.8 million in order to meet its available revenues.

The table below shows that if the new city were able to defer its reimbursement to the City, and achieve approximately \$47.8 million in cost reductions, the new city would be able to achieve positive fund balances after three years.

HARBOR CITY BUDGET TARGET
FISCAL YEAR 2003-04 THROUGH 2005-06
(Unadjusted for Inflation)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Revenue:				
General Fund	\$ 51,039,192	\$ 102,078,383	\$ 102,078,383	\$ 102,078,383
Special Purpose Funds	10,935,151	21,870,303	21,870,303	21,870,303
Total Revenue:	61,974,343	123,948,686	123,948,686	123,948,686
Expenditures:				
Harbor City Personnel	\$ 758,311	\$ 1,277,147	\$ 1,277,147	\$ 1,277,147
Harbor City Non-Departmental Costs	364,011	444,467	444,467	444,467
Cost of Services – Purchased & Provided	59,536,374	121,911,426	110,000,000	110,000,000
City of Los Angeles Administrative Costs	315,646	315,646	315,646	315,646
City of Los Angeles Redistricting Costs	1,000,000	-	-	-
City of Los Angeles Election Costs	-	-	-	-
Mitigation Payment	-	-	-	-
Repayment of Transition Period Services*	-	-	7,334,737	7,334,737
Total Expenditures	61,974,343	123,948,686	119,371,997	119,371,997
Revenue Less Expenditures	-	-	4,576,689	4,576,689
Available Balance	-	-	4,576,689	9,153,379

* Repayment of \$55.3 million over 10 years, assuming a 5.5% interest rate.

The scenario presented above relies on the assumption that the City would be reimbursed over a ten-year period. Other reimbursement plans could be implemented, which could increase or decrease the level of cost savings that would need to be achieved by the new city. For example, if the new city received services from the City for just a six-month transition period, and reimbursed the City for the net cost of providing services during the transition period over a five-year period, it is estimated that the new city would need to achieve approximately \$42.8 million in cost savings, or \$5 million less compared to the ten-year reimbursement plan.

The scenario presented above is plausible, as many cities in the greater Los Angeles region have demonstrated the ability to provide necessary municipal functions with a level of general fund revenues comparable to that generated in the Harbor area. As shown below, if the new city were to achieve \$48 million in cost savings, its general fund expenditures would still be comparable to cities within the Los Angeles region of similar size. The new city's general fund expenditures per capita would be \$694 compared to an average of \$559 for Los Angeles area cities with similar populations.

**BUDGETED GENERAL FUND
EXPENDITURES
FOR COMPARABLE CITIES
FISCAL YEAR 2000-01**

<u>City</u>	<u>Per Capita General Fund Expenditures</u>
Torrance	\$ 868
Harbor Area with cost savings [1]	694
Irvine	655
Pomona	374
Garden Grove	339

[1] - Expenditure figures for proposed Harbor Area City are based on the estimated General Fund revenues that a Harbor Area City would have received during fiscal year 2000-01, as calculated in this Comprehensive Fiscal Analysis.

Although this analysis has shown the amount of cost reductions that a new Harbor City would require in order to attain positive fund balances, and has demonstrated that the new city's expenditures, after making significant cost reductions, would still be comparable to similarly sized cities, the precise steps the new city would undertake to achieve its required cost reductions and the ultimate impact on the level and quality of municipal services in the Harbor area is difficult to predict.

Revenue Neutrality

Based on the base scenario described in this report, the fiscal impact of the proposed special reorganization on the City of Los Angeles would not be revenue neutral. The current expenditures that would accrue to the Harbor City would exceed the current revenues that would accrue to the Harbor City by \$34.2 million.

A detailed analysis of the amount of revenue that would be generated by the residents and businesses in the Harbor area and accrue to a Harbor City (transferred from the City) is discussed in section "Financial Viability of New City - Harbor City Revenue." Based on this analysis, it is estimated that 3.47% of the City's General Fund revenue and 3.06% of all budgeted revenue would transfer to the Harbor City upon incorporation.

In comparison to the 3.06% of budgeted City revenue that would transfer to the Harbor City, it is estimated that the City would expend 3.66% of its budgeted expenditures for services provided to the Harbor. In dollars, it is projected that, based on the fiscal year 2000-01 budget, the Harbor City would retain \$123.6 million in revenue that would otherwise be paid to the City of Los Angeles, and would owe the City \$157.8 million for services rendered.

Impact on Adequacy of Service

In making its determination on the Harbor proposal for special reorganization, the commission must consider the effect on the costs and adequacy of service in both the Harbor and remaining City of Los Angeles. Under the scenario described in this report, the City would continue to provide service

on behalf of a new Harbor City. The continuation of service provision by the City would reduce any negative service impact as a result of the special reorganization.

However, if the new city is to be financially viable, it must achieve a substantial amount of cost reductions. Under the cost reduction alternatives described in this report, the new city may reduce the number of services provided by the City of Los Angeles. This assumed reduction would eliminate several City departments that currently serve the Harbor, which would most certainly decrease the level of that particular service in the Harbor.

The cost reduction alternatives also includes the potential for the new city to save \$20 million annually through contracted service from the County of Los Angeles Sheriff's Department. As part of a contractual service arrangement with the new city, the Sheriff may provide more or less service, may utilize City facilities, may share existing County facilities, or may be required to construct new facilities. Given many of these issues would not be determined until a service contract is actually implemented, the potential service impact of contracted service from the Sheriff's Department is not known.

2. Financial Viability of New City

To assess the financial viability of a proposed Harbor City, projected expenditures for the new city have been estimated given the personnel requirements for the new city, the cost of services provided by the City of Los Angeles, and additional costs that would result from the special reorganization, and compared to the amount of municipal revenues that would accrue to the Harbor City. Based on this projection of expenditures and revenues, it is estimated that:

- The cost of services provided by the City of Los Angeles exceeds the amount of revenue generated in the Harbor area.
- The new city would need to rely on the City of Los Angeles to provide services during the transition period and may not be able to immediately reimburse the City for the services provided.
- A new Harbor City would need to reduce expenditures on municipal services provided in the Harbor through cost saving initiatives or a reduction in service levels.
- Because a new Harbor City must reduce expenditures on municipal services, the impact on the cost or adequacy of service is highly uncertain.

Budget Summary

The projected budget for the Harbor City is presented under the assumption that the City would be required to provide services on behalf of the Harbor during the first three years of the city's incorporation, and no cost savings or service reductions are implemented. However, the new city may have the ability to find lower cost service providers, reduce its service levels and costs, and obtain relief from the City of Los Angeles for payment of services provided on its behalf.

Under the assumption used in the CFA, the estimated budget for the new city is comprised primarily of a payment to the City of Los Angeles for services provided through a transition period of limited duration imposed by LAFCO and/or as part of a purchase of service agreement negotiated by the cities. The projected cost of the purchased services are based on the amount budgeted by the City of Los Angeles in fiscal year 2000-01. The specific services that would be provided on behalf of the Harbor City and the estimated cost of those services are described in the department-by-department analysis in this report (see "Appendix II: Cost of Purchased Services"). Based on this review of City of Los Angeles services provided in the Harbor area, it has been estimated that the new city would owe the City \$157.8 million, based on the fiscal year 2000-01 Budget, for the cost of purchased services, assuming transition period service levels match pre-incorporation service levels.

Revenues for the new city are estimated at \$123.9 million as of fiscal year 2000-01, of which \$74.0 million will be collected by the City of Los Angeles on behalf of the new city, and \$49.9 million will be received directly from the state or County of Los Angeles.

**HARBOR CITY PROJECTED BUDGET
FISCAL YEAR 2002-03 THROUGH 2005-06
(Unadjusted for Inflation)**

	<u>2002-03*</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Revenue:				
General Fund	\$ 51,039,192	\$ 102,078,383	\$ 102,078,383	\$ 102,078,383
Special Purpose Funds	10,935,151	21,870,303	21,870,303	21,870,303
Total Revenue:	61,974,343	123,948,686	123,948,686	123,948,686
Expenditures:				
Harbor City Personnel	\$ 758,311	\$ 1,277,147	\$ 1,277,147	\$ 1,277,147
Harbor City Non-Departmental Costs	364,011	444,467	444,467	444,467
City of Los Angeles Services	78,911,434	157,822,869	157,822,869	157,822,869
City of Los Angeles Administrative Costs	315,646	315,646	315,646	315,646
City of Los Angeles Redistricting Costs	1,000,000	-	-	-
City of Los Angeles Election Costs	-	-	-	-
Mitigation Payment	-	-	-	-
Total Expenditures	81,349,403	159,860,128	159,860,128	159,860,128
Revenue Less Expenditures	(19,375,060)	(35,911,442)	(35,911,442)	(35,911,442)
Available Balance:				
General Fund	(19,405,560)	(55,378,002)	(91,350,444)	(127,322,887)
Special Purpose Funds **	30,500	91,500	152,500	213,500
Total Available Balance	(19,375,060)	(55,286,502)	(91,197,944)	(127,109,387)
Staffing:				
Harbor City Staff	11	11	11	11
City of Los Angeles Allocated Staff	-	1,459.5	1,459.5	1,459.5

* December 16, 2002 effective date for new city.

** Attributable entirely to Special Gas Tax Street Improvement Fund.

Potential Cost Savings

It is important to the note that budget projection above is based on a set of key assumptions that, although deemed reasonable, would require the new city to rely entirely on the City of Los Angeles for services and reimburse the City for its fully allocated costs. It may be possible for the new city to implement a sufficient level of cost reductions (that may result in the County, or the new city itself, providing services), and the City and new Harbor City may agree to a deferral of the City's costs. If these events were to occur, the new city could achieve positive fund balances during its first three years of incorporation. A further discussion of the new city's cost savings alternatives issues is provided in section "Financial Viability of New City - Potential Cost Savings."

Harbor City Costs

The estimated costs for the Harbor City during its first three years of incorporation are discussed in this section. The largest cost item for the new city would be the payment to the City of Los Angeles for services provided on behalf of the new city. The new city would also incur costs for its own staff and "non-departmental" costs. In addition, the Harbor City is assumed to pay

other costs incurred by City, which are described in section "Fiscal Impact on City of Los Angeles - Additional City of Los Angeles Costs."

City of Los Angeles Purchased Service

It is assumed in this analysis that the Harbor City would initially rely on the City of Los Angeles for the provision of virtually all municipal services currently provided by the City in the Harbor area. The City would provide services during a "transition period" of up to three years, or under contract with the new city. During this period, however, the new city and City of Los Angeles may attempt to negotiate a transfer of service responsibilities to the new city, which could involve the transfer of employees and City-owned assets.

The assumption that the City would, at least initially, provide services on behalf of the new city is a likely alternative given the following issues:

- A period of transition will be necessary to transfer service responsibility to the new city, given the scale and complexities involved.
- The Harbor applicant did not develop a credible, detailed plan or timetable for a transfer of service responsibilities.
- The Harbor applicant and the City have not yet identified or agreed upon the terms of a transfer of service.

Further discussion of these issues, including a detailed analysis of the applicant's Final Proposal, is provided in "Appendix I: Analysis of Final Proposal and City Response."

Costs of Purchased Services

The City's estimated costs of providing contracted and/or transition period service to the Harbor have been developed in "Appendix II: Costs of Purchased Services." The costs are estimated using a methodology that attempts to identify the proportion of City staff that work for the benefit of the Harbor, either through their physical location, or their assigned service territory.

The table below provides a summary of the estimated costs of the municipal services that the City would provide during a transition period, or through contract. The total cost for City services would be \$157.8 million, based on the City's fiscal year 2000-01 budget. For illustrative purposes, the cost items are divided into "direct costs," or those costs that are attributable to City services provided directly for the benefit of Harbor residents, and indirect costs, relating to administrative support and other overhead functions.

**COST OF SERVICES PURCHASED
FROM CITY OF LOS ANGELES**

<u>Description</u>	<u>City of Los Angeles 2000-01 Budget</u>	<u>\$ Harbor Allocation</u>
Police	\$ 835,934,537	\$ 30,432,428
Fire	345,100,464	30,243,314
Public Works	395,663,477	9,056,839
Transportation	221,405,785	6,998,956
Recreation and Parks	94,273,330	8,969,348
Building & Safety	53,954,493	2,552,792
Library	50,574,878	1,590,550
Community Development/Housing	43,260,311	1,809,505
Other City Departments	53,856,936	2,825,029
Other Direct Costs	387,869,894	12,835,330
Total Direct Costs	\$2,481,894,105	\$ 107,314,091
Employee Benefits	470,491,534	\$ 22,745,501
Debt Service and Other Liabilities	232,203,608	8,782,665
General Services	167,271,236	4,956,432
Information Technology Agency	100,565,396	4,252,094
City Attorney	70,151,148	2,547,863
Personnel Department	41,615,421	1,672,554
Water and Electricity	31,121,871	1,319,567
Other City Departments	119,935,936	4,232,101
Total Indirect Costs	\$1,233,356,150	\$ 50,508,777
Total		\$ 157,822,869

The estimated cost to administer the Harbor purchased of service contract is discussed in section " Fiscal Impact on City of Los Angeles - Additional City of Los Angeles Costs."

Potential Contractual Terms of the Agreement

Based on the review of contract terms used by the County and others, and the requirements relating to contractually provided service set forth in the Government Code, it is assumed that, in order to make the findings of the CFA, the following contractual terms would be part of the purchase of service agreement:

- The service levels and resulting direct and indirect costs of the purchased services are based on the methodology used in the CFA.
- The City would be reimbursed for all indirect costs of providing service including coordinating with unions, and billing and tracking.
- Notice for renewal or amendment of the contract would be required one year in advance of the contract termination date.

- The City would collect Harbor revenues on behalf of the new city and would retain all amounts for payment of purchased services and the mitigation payment.
- The Harbor City would pay the City of Los Angeles monthly all amounts not recovered by the revenues collected on behalf of the new city.
- The service levels identified in the agreement could be modified with the consent of both cities for just cause, such as a significant decrease in revenues, or an inability to provide staffing necessary to meet the required service levels.

Under these terms, the agreement would provide for the uninterrupted continuation of service in both territories, would address the service level concerns of the applicant, and would ensure the City is fully reimbursed for the cost of providing the service.

City of Los Angeles Administrative Costs

The estimated City of Los Angeles indirect costs necessary for the proper administration of the assumed purchase of service agreements are discussed in section "Fiscal Impact on City of Los Angeles - Additional City of Los Angeles Costs - Service Agreement Administration Costs."

Harbor City Personnel Costs

The CFA assumes the new Harbor City would, upon incorporation, include an elected City Council, with a Mayor chosen by the Council from its members, as well as a core administrative staff to carry out several essential municipal duties. This section presents the estimated minimum staffing requirements for the new Harbor City, intended to satisfy two requirements:

- (1) A new Harbor City's initial staffing must be sufficient to perform certain functions of general law cities that are mandated by state law; and
- (2) Harbor staffing should be sufficient to ensure that all currently foreseeable day-to-day municipal functions are being carried out.

It is important to note that the staffing estimate presented in this section is considered a minimum level, and has been developed to assess whether the legally mandated functions for the new city could be carried out. In the event the Harbor City is incorporated, its city council will have the authority to determine the new city's staffing plan, and could set its staffing level well beyond the minimum level estimated in this report, so long as funding is available.

Data Sources and Methodology

The primary data sources utilized to develop the Harbor City's initial staffing plan were budget documents from the most recent fiscal years of numerous California cities. The budget documents used most extensively were those of California cities that have incorporated since 1997. These budgets provided benchmarks for assessing the staffing and various other costs that face newly incorporated cities. While the proposed Harbor special reorganization is different from previous city incorporations in several important ways (e.g.,

its detachment being from another city instead of from a county government), the budgets of recently incorporated cities are useful guides in developing an initial Harbor City budget for at least two reasons. First, a newly incorporated Harbor City would have several things in common with other newly incorporated cities. A new Harbor City would (at least initially) have very limited revenues, be staffed at a minimum level, and be reliant on an outside agency(s) for the delivery of essential services. Second, the actual staffing and expenditures of recently incorporated cities provide benchmarks of what constitutes truly core staffing needs, as well as of the kind and level of departmental and non-departmental expenditures that newly incorporated cities are likely to encounter.

Harbor City Minimal Staffing Plan

It is envisioned that the following officers and functions would comprise the initial staffing of a new Harbor City:

- City Council (includes Mayor)
- City Manager
- City Attorney
- City Clerk
- City Controller/Finance Director
- Planning Director
- Public Works Director

Each position listed above would include support staff. A detailed breakdown of the staffing and related cost for each function appears in "Appendix IV: Harbor City Budget Detail." As shown in the table below, for the Harbor City's first four years, it is envisioned that the city's administrative staff would consist of 11 full time employees.

HARBOR CITY STAFFING PLAN FISCAL YEAR 2002-03 THROUGH 2005-06

<u>Department</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
City Council	1.0	1.0	1.0	1.0
City Manager	2.5	2.5	2.5	2.5
City Clerk	1.5	1.5	1.5	1.5
City Attorney	1.5	1.5	1.5	1.5
City Controller	1.5	1.5	1.5	1.5
Planning	1.5	1.5	1.5	1.5
Public Works	1.5	1.5	1.5	1.5
Total Staffing	11.0	11.0	11.0	11.0

The City of Los Angeles would continue providing most services to the Harbor for at least three years, including animal control, public works, law enforcement and many others, as well as certain general government and planning functions. The new Harbor City would have its own City Council, and it would assume a limited range of general government and planning responsibilities.

The proposed initial staffing of the new Harbor City is also designed to provide the Harbor with a core staff able to both administer essential

municipal functions and ensure that services are being provided consistent with all service agreements. Among the administrative staff deemed particularly important for carrying out the Harbor City's essential municipal functions would be a City Attorney, who would oversee all legal matters; a City Controller, who would oversee all financial and accounting functions; and a City Clerk, who would perform a variety of mandated administrative functions and ensure that the Harbor adheres to various procedural requirements.

The other positions included in the proposed initial staffing plan – City Manager, Public Works Director, Planning Director – would have primary responsibility for ensuring that the Harbor receives the municipal services from the City of Los Angeles as specified in the various service provision agreements. Carrying out this responsibility would entail these staff positions acting to both address the concerns of Harbor residents and as liaisons between the Harbor and City of Los Angeles.

Among all positions in the proposed initial staffing plan for the Harbor, the somewhat unique nature of the planning function requires special consideration. Because the planning function concerns fundamental issues of land use and development, the Harbor will need to exert a relatively higher level of policy oversight in this area at the outset than in other functional areas, even though the Harbor would (at least initially) continue using the City's General plan, zoning and building codes. This will require that procedural mechanisms exist to ensure that Harbor administrative staff and/or policymakers (i.e., the City Council) are able to make key policy decisions related to land use policies and specific development projects within the boundaries of the Harbor City. It will therefore be critical that such procedural mechanisms be negotiated as part of any planning-related service provision agreement between the City and Harbor.

City Council

Consistent with the requirements of California law, the new Harbor City would have 5 City councilmembers elected at-large. It is assumed that each councilmember would earn a minimum monthly stipend. The estimate of city council expenses is based on analysis of actual city council budgets for recently incorporated California cities.

It is also assumed that the city council would require minimal staffing during the new city's first three years (one secretary position), with the primary staffing support needs being administrative and secretarial. The salary for the secretary position is assumed to be the midpoint of the range of salary levels for a Secretary (Code # 1116) at the City of Los Angeles as of fiscal year 2000-01 (see Appendix IV for a complete list of position salaries).

City Manager

The City Manager's Office would oversee all City operations. It is envisioned that this role would include responsibility for coordinating and administering the services being provided to the Harbor. Given the CFA's assumption that the new Harbor City would be receiving all services from the City of Los Angeles through the transition period or on a contract basis, the City Manager's Office is likely to require relatively more initial staffing than other departments. Thus in addition to a City Manager, the department would also include an Assistant City Manager and a part-time secretary. The salaries for

the positions are estimated using the salaries of similar positions in the City of Los Angeles (adjusted downward) as of fiscal year 2000-01. The estimate of City Manager expenses is based on analysis of actual City Manager's Office budgets for recently incorporated California cities.

City Clerk

The City Clerk's Office would include a City Clerk and a half-time secretary. The City Clerk's salary is based on that of the City Clerk of the City of Los Angeles, adjusted downward, as of fiscal year 2000-01. Estimated expenses are derived from analysis of actual City Clerk Office expenses in recently incorporated California cities.

City Attorney

The City Attorney's Office would consist of a City Attorney and a half-time secretary. Estimated salaries are based on the actual salaries for similar positions in the City of Los Angeles (adjusted downward), and the estimates of expenses are derived from analysis of actual City Attorney expenses in recently incorporated California cities.

City Controller

The City Controller's Office would oversee all accounting and financial management functions in the new Harbor City. The Office would include a City Controller and a half-time secretary. The salary for the City Controller is estimated from the fiscal year 2000-01 City of Los Angeles salary of the City Controller, adjusted downward. Expenses are estimated from analysis of actual finance department expenses in recently incorporated cities.

Planning Department

The Planning Department would oversee city policy toward land use and development. It is assumed that a new Harbor City would likely seek an active role in shaping land use policy within its boundaries, and that its ability to assume this role would be enhanced by having an independent planning capability within its own city administration. The department would therefore consist of a Planning Director and a part-time secretary. All position salaries are based on those of similar positions in the City of Los Angeles (adjusted downward), and department expenses are based on analysis of actual planning department expenses in recently incorporated cities.

Public Works

The Public Works Department would oversee city engineering activities and the maintenance of all municipal facilities. It would consist of a Director and a part-time secretary.

Non-Departmental

The non-departmental budget includes items not assignable to specific departments and expenditures related to support services. The budget includes three components: operations, office space rental, and capital outlay. Estimated expenses for operations and capital outlay are derived from analysis of actual city budgets, including those of recently incorporated cities as well as other cities having, like the new Harbor City would have, relatively small administrative staffs.

To estimate the cost of office space rental, market rates for office space in the Harbor were obtained from research conducted by Cushman and

Wakefield. As of January 2001, market rates for office space in the Harbor were \$2.02 per square foot per month.¹⁰ The estimate of square footage requirements were derived from the facilities planning documents of the City of Los Angeles, in which the City allots 230 square feet per person for office space.¹¹ Applying these figures to the projected staffing of [11] full time equivalents, and then adding additional space that would serve as a meeting room for the City Council and other city commissions, resulted in the estimate of total office space costs. These costs are assumed to remain constant for the three and one half years estimated.

Harbor City Election Costs

The CFA assumes that if a special reorganization advances to the stage of being placed before the voters of Los Angeles, the vote on this issue would take place in November, 2002. The CFA also assumes that the election for the initial Harbor City councilmembers would be held concurrently with the vote on special reorganization. As specified in both California law and in the applicant's proposal, the new Harbor City would be electing 5 councilmembers in an at-large election.

The special reorganization election, as well as the election of the Harbor City's first city council and mayor, will generate costs that, under California law, will be borne by the new Harbor City. It is estimated that the magnitude of these costs will be relatively low because the envisioned election date coincides with the regularly scheduled in November, 2002 general election. This means that the required election "infrastructure" (e.g., polling places, ballots, precinct workers, etc.) will already be in place and the County of Los Angeles would assume the associated costs. The new Harbor City would likely only be responsible for the incremental expenses caused by the special reorganization election and for the Harbor's city council. As a result, it is assumed in the CFA that the Harbor's election expenses will be negligible.

Harbor City Revenue

This section discusses the methodology used to estimate the amount of revenue that would be received by a new Harbor City, and provides a summary of the results of the analysis.

Estimated Share of Existing City Revenue

To estimate the amount of revenue that would accrue to the Harbor City (transfer from the City), all revenue items currently received by the City that would transfer to the Harbor City have been analyzed. This analysis is based on a report of the geographic source of revenue undertaken by the City of Los Angeles in February 2001.¹² The City's report estimated that, of the revenue items analyzed, 3.0% of General Fund revenue and 3.0% of all budgeted revenue were generated in the Harbor.

For the purposes of this report, the City's analysis has been reviewed, and additional research has been performed to assess the geographic source of certain revenues that were not analyzed by the City. Adjustments have also

¹⁰ Cushman & Wakefield, "MarketBeat Series," January 2001, p.15. Lease rate for "Direct Weighted Average Class A Rental Rate" in the "Central Harbor" market.

¹¹ City of Los Angeles, City of Los Angeles Office Facilities Master Plan, Volume 1 - Final Report, March 1996, p. III-2

¹² City of Los Angeles, *City of Los Angeles Geographic Revenue Analysis for Fiscal Year 1998-1999*, February 2001.

been made to the City's analysis where more recent, or more refined data are available. Incorporating these updates and adjustments to the City's analysis, it is estimated that 3.47%, or \$101.8 million of the City's budgeted General Fund revenue in fiscal year 2000-01, and 3.06%, or \$123.6 million of all budgeted revenue would accrue to the Harbor City.

**ESTIMATED CURRENT REVENUE
ACCRUED TO HARBOR CITY**

	% Accrued By Harbor City	\$ Accrued By Harbor City
General Fund revenue	3.47%	\$ 101,818,383
Special purpose fund revenue	1.96%	21,809,303
Total revenue		\$ 123,627,686

Additional detail regarding the estimated amount of current revenue that would accrue to the Harbor City is provided in "Appendix III: Allocation of FY00-01 Budget."

An important distinction must be made between the amount of revenue generated by Harbor residents and businesses and the amount of revenue that would actually transfer to the Harbor City as a result of a special reorganization. Not all City revenues generated in the Harbor area would necessarily accrue to the Harbor City. Revenue related to the City's utilities, such as the transfer of operating income from the City's Department of Water and Power (DWP), reimbursements from the DWP for service provided by the City, and sewer franchise fees, would not accrue to the Harbor City without an equity share in the City's DWP or wastewater system. It has been assumed that neither equity nor revenue generated from the City's utilities would accrue to the Harbor City.

Methodology Used to Estimate Revenue

In its revenue study, the City used a variety of methods to estimate the geographic source of its revenues. Because many City revenue sources, including property taxes, business taxes, and transient occupancy taxes, are assessed to City businesses and residents based on their address, the City was able to estimate the geographic source of revenue by grouping the address of the payers to either the Harbor or City. Other revenues, such as state motor vehicle license fees are paid to the City based on population, and the City could estimate the Harbor share of these population-based revenues according to the estimated population in the Harbor.

However, in some instances, even where the address of the payer is known, an estimate of the geographic source of revenue is not easily obtained. For example, the amount of state sales taxes that are returned to cities is based on the location of the taxable transaction. Although the state keeps records of the location of transactions in the City, no records are readily available for businesses that have retail locations in both the Harbor and other parts of the City. Other revenue, such as utility user taxes, are assessed by private firms

and submitted in total to the City. The payer addresses are held by the private firms and not readily available to the City.

As part of this report, the methodology used by the City in preparing its revenue analysis has been reviewed and assessed for accuracy. In general, the City's analysis is accurate and provides a reasonable estimate of the geographic source of revenue. However, the City did not attempt to determine approximately 27% of revenue items paid into its General Fund, and 32% of its "special purpose funds." For the revenue items excluded from the City's analysis, the estimated geographic source is provided in this section. In addition, for certain revenues that were analyzed by the City, it has been determined that more updated or detailed information is available, which may provide a more accurate estimate of the geographic source of revenue. In aggregate, the geographic source for the following revenue sources is discussed in this report:

General Fund Revenue:

- Property Tax
- Utility Users Tax
- Business Tax
- Sales Tax
- Interest
- Franchise Income
- Licenses, Permits, Fees & Fines
- Power Revenue Transfer
- Documentary Transfer Tax
- Transfer from Reserve Fund
- Water Revenue Transfer
- Grant Receipts
- Tobacco Settlement

Special Purpose Funds:

- Sewer Construction and Maintenance Fund
- Convention Center Revenue Fund
- Los Angeles Convention and Visitor's Bureau Trust Fund
- Zoo Enterprise Trust Fund
- Arts and Cultural Facilities and Services Trust Fund
- Older Americans Act Fund
- City Ethics Commission Fund
- Street Lighting Maintenance Assessment Fund
- Local Public Safety Fund
- Traffic Safety Fund
- Special Police Communications/911 System Tax Fund
- Allocations from Other Governmental Agencies and Other Sources

General Fund Revenue

The City's General Fund accounts for revenue where the use of funds is not restricted to a specific purpose, and provides funding for most of the municipal services of the City.¹³ Upon incorporation, the Harbor City is assumed to have its own general fund to pay the costs of municipal services, which cannot be funded by the various special revenue funds. The table

¹³ The City has, through ordinance, required that certain General Fund revenue, such as a portion of the transient occupancy tax, be allocated to specific uses.

below shows the major revenue items currently paid into the City's General Fund, and the estimated percentage that would accrue to the Harbor City.

**ESTIMATED PERCENT OF GENERAL FUND REVENUE
ALLOCATED TO HARBOR CITY**

<u>Revenue Item</u>	<u>City Estimate</u>	<u>CFA Allocation</u>
Estimated in February 2001 Report		
Property Tax	3.00%	3.67%
Utility Users Tax	4.17%	4.03%
Business Tax	2.31%	2.31%
Sales Tax	4.00%	2.57%
State Motor Vehicle License Fees	4.00%	4.14%
Transient Occupancy Tax	1.22%	1.22%
Municipal Court Fines	1.00%	1.00%
Parking Users Tax	1.00%	1.00%
Interest	3.00%	3.47%
Franchise Income	3.27%	1.90%
Civic Center Parking Income	0.00%	0.00%
Transfer from Telecomm. Dev. Account	3.08%	3.08%
Transit Shelter Income	3.00%	3.00%
Residential Development Fee	8.44%	8.44%
Los Angeles Mall Rental Income	0.00%	0.00%
Not Estimated in February 2001 Report		
Licenses, Permits, Fees & Fines	n.a.	6.93%
Power Revenue Transfer	n.a.	0.00%
Documentary Transfer Tax	n.a.	3.98%
Utility Users Tax – Unallocated	n.a.	3.66%
Transfer from Reserve Fund	n.a.	0.00%
Water Revenue Transfer	n.a.	0.00%
Franchise Income – Unallocated	n.a.	3.47%
Grant Receipts	n.a.	4.24%
Tobacco Settlement	n.a.	0.00%
Transfer of Reserve Fund Loan	n.a.	0.00%
Municipal Court Fines - Unallocated	n.a.	1.00%
Capital Finance Admin. Transfer	n.a.	3.47%
 % Total General Fund Revenue		 3.47%

A discussion of the methodology used to estimate the percentage of revenue that would accrued to the Harbor City, which differs from the percent of revenue generated in the Harbor estimated by the City in its February 2001 report (other than differences due to rounding), is provided below. Further detail on the computation of the percentages is provided in Appendix III of this report.

Property Tax

At the request of LAFCO, the Los Angeles County Assessor has estimated the geographic source of property tax within the City, identifying the location of assessments made in fiscal year 1999-00. The Assessor's estimate is to be used to determine the amount transferred to a newly incorporated Harbor City, in accordance with the Cortese-Knox Act. Based on the Assessor's

analysis, the Harbor area was assessed 3.67% of the total 1% general tax levy transferred to the City of Los Angeles, net of the allocation of tax increment revenue to the Los Angeles Community Redevelopment Agency (CRA).¹⁴

The 1% general tax levy for fiscal year 1999-00 in the City of Los Angeles and for parcels within the proposed boundaries of the Harbor special reorganization area are provided in the table below.

1% GENERAL TAX LEVY CITY OF LOS ANGELES AND HARBOR AREA FISCAL YEAR 1999-00		
	Harbor	City of Los Angeles
Gross Tax Levy	\$ 19,574,171	\$ 548,762,688
Allocation to CRA	(540,023)	(29,433,957)
Net Tax Levy	\$ 19,034,148	\$ 519,328,731
Percent Net Tax Levy	3.67%	

Source: County of Los Angeles Auditor-Controller.

The County Assessor's estimate that 3.67% of the net tax levy is attributable to the Harbor is used to estimate the allocation of property tax revenue in fiscal year 2000-01.

Utility Users Tax

The Utility Users Tax is comprised of several taxes, including the electric users' tax, gas users' tax, and telephone users' tax. The City's revenue analysis included an allocation of the electric and telephone tax, but did not include an allocation of the gas users' tax. The City of Los Angeles methodology for allocating telephone utility users taxes is essentially a reasoned guess, based on the assumption that telephone use in the Harbor is proportional to electricity use, business tax and property taxes.

In an attempt to improve upon this the City of Los Angeles methodology, LAFCO requested utility users tax data from the largest six telephone companies in the Los Angeles area. Of the two companies that provided data, their Harbor market shares were 1.2% and 2.7% respectively. Given that these two companies clearly specialize in different areas of Los Angeles and given a lack of information on their overall market share, it was impossible to draw conclusions about the true geographic allocation of telephone utility taxes. Thus, the analysis relies on the original estimates prepared by the City of Los Angeles.

The gas users' tax is levied on all users of gas in the City, and is equal to, in most instances, 10% of the amount charged. The Southern California Gas Company collects the gas tax on behalf of the City.

¹⁴ Community Redevelopment Agency project areas receive the 1% general tax levy that would otherwise be transferred to the City of Los Angeles, above an identified base year level of assessments.

For the purposes of the CFA, the County of Los Angeles Urban Research Division (URD) and LAFCO obtained gas users' tax revenue from the Gas Company, and geo-coded the data for fiscal year 1999-00. Based on the geo-coding effort, it is estimated that the Harbor area of special reorganization accounted for 3.66% of the total amount of gas users' tax collected in that year. It is therefore assumed in this report that the amount attributable to the Harbor as part of the City's fiscal year 2000-01 budget is equal to 3.66% of the total.

Business Tax

The business tax is a tax charged to businesses for the privilege of operating in the City. It is a highly complex tax and has been the subject of ongoing reform-oriented studies since 1995.

The City was able to geographically allocate 89 percent of the business tax revenue based on taxpayer address. The City of Los Angeles found that 2.31 percent of business tax receipts were attributable to businesses with addresses in the Harbor Area. Given that the City's business tax ordinance requires businesses to maintain a separate business license for each branch, allocating the revenues based on taxpayer address is a reasonable approach.

The City was unable to apportion the activity of out-of-town business between the new city and the remaining City due to a lack of information. The City therefore assumed that the revenues paid by taxpayers located outside the City limits should be geographically allocated in the same proportions as taxpayers located inside the current City limits.

Sales Tax

The URD was asked, as part of this fiscal analysis, to prepare an independent estimate of the amount of fiscal year 1998-99 sales tax revenue generated in the Harbor area.

The URD obtained a master registration file from the BOE that listed all sales tax accounts and branch locations in the City. The BOE file contains sales tax revenue for 1998-99 for each account, but not by branch for multiple branch accounts. The URD geo-coded the BOE file for single branch accounts and estimated revenue for multiple branch accounts based on the number of days the branches were open. The URD's preliminary analysis resulted in an estimate of \$6.9 million, or 2.6% of the City's sales tax revenue generated from the Harbor area of special reorganization.

It must be noted that the URD geo-coding effort did not result in a 100% match of accounts to geographic area, as \$9.1 million of the \$277.8 million in fiscal year 1998-99 sales tax revenue attributable to BOE accounts was either outside the City or not determinable.

SALES TAX REVENUE CITY OF LOS ANGELES AND HARBOR AREA FISCAL YEAR 1998-99

<u>Area</u>	<u>\$ Geographic Source of Sales Tax Revenue</u>	<u>% Geographic Source of Sales Tax Revenue</u>
Harbor Area	\$ 6,914,245	2.6%
Other areas	145,496,886	54.1%
Residual City of Los Angeles	116,255,332	43.3%
Total allocable	\$ 268,666,463	
Total sales tax revenue	\$ 277,767,218	

Source: County of Los Angeles Urban Research Division.

The URD 2.6% estimate for fiscal year 1998-99 is used to estimate the amount of sales tax revenue attributable to the Harbor area for fiscal year 2000-01.

Interest

The amount of interest income that would accrue to the Harbor City would be related to the relative activity of its own general fund. For the purposes of this analysis, it is assumed that the Harbor City would accrue general fund interest earnings in proportion to the amount of total revenue that would transfer from the City.

Franchise Income

The City assesses a franchise fee on the sale of natural gas, cable television service, wastewater service, the operation of official police garages, taxicab income, and others. The City has provided estimates of the geographical source of revenue for cable, wastewater, and police garages, but not for the other franchise fees.

For the purposes of this report, the amount of gas franchise revenue that would accrue to the Harbor City is estimated using the same proportion of gas users' tax revenue attributable to the Harbor area (see "- Utility Users Tax" above). Additional discussion regarding the City's gas franchise fee is provided in "Appendix I: Analysis of Final Proposal and City Response - City of Los Angeles Response - Summary and Analysis of City Response - Response to LAFCO Revenue Analysis." City wastewater system franchise income is not assumed to accrue to the Harbor City, as it has been assumed in this report that the City would retain ownership of the system. Taxicab franchise fees include a fixed franchise fee per cab and a fee charged when a cab franchise changes hands. The estimated proportion of taxicab franchise fee revenue attributable to the Harbor is based on the number of vehicles authorized under the City's most recent taxicab franchise allocation. As part of the City's approved franchises for the year 2000, 70 of the total 2303 "vehicle authorities" were awarded to the Harbor service area.¹⁵

Licenses, Permits, Fees & Fines

The City collects various licenses, permits, fines, and fees (LPFF) for services, such as building permits, animal licenses, and fire inspection fees. Also included in LPFF are reimbursements from the proprietary departments and for services related to special purpose funds. The fiscal year 2000-01 revenue budgeted for each budgetary department is provided in table R-4 in Appendix III of this report.

For the category of LPFF relating to reimbursements to the City's proprietary departments (excluding the Harbor) and wastewater system, it has been assumed in this report that no amount would accrue to the Harbor City, as the Harbor City would not be allocated the cost of services. The Harbor ratepayers are assumed to pay the City directly for utility costs. The LPFF revenue also includes a reimbursement from the Los Angeles County Metropolitan Transportation Authority (MTA) for police services provided by the City. This revenue is assumed paid entirely to the City, and no credit is given to the Harbor.

The Harbor City is also credited with \$16.8 in LPFF relating to "Services to Harbor." This credit is provided as an offset to the City's cost of Fire and other services that have been allocated to the Harbor City in this report. Although it is assumed that the City would continue to provide fire protection and emergency response service to the Port, and maintain and operate certain Port recreational facilities on behalf of the Harbor Department, the direct and indirect costs of providing these services have not been segregated from the other Fire and recreational facilities costs allocated to the Harbor City.

¹⁵ City of Los Angeles, "Recommendation to Award Franchises for the Operation of Taxicab Transportation Services in All Service Zones of the City of Los Angeles," October 19, 2000.

The City is also reimbursed from Port revenues for services provided by its Administration and Research Services, City Attorney, Controller, Information Technology, Fire, Finance, Los Angeles Convention Center, Bureau of Contract Administration, and Bureau of Street Services departments. The Harbor is not credited with the Harbor reimbursement for these services.

The City has budgeted \$18.3 million in fiscal year 2000-01 for the reimbursement of fire (\$13.2 million) and "Non-Departmental-General" service (\$5.1 million) provided to the Harbor. At the time the budgeted amounts were computed, the City was involved in litigation with the State Lands Commission over the amount the City was reimbursed from the Harbor Department. In January 2001, the state and City settled the lawsuit, and the City agreed to, among other things, limit the amount it charged to the Harbor Department for Fire Department and Recreation and Parks services. The agreement limits the amount charged by the Harbor-area fire stations (excluding the fire boats) to 75% of the costs of serving the Port. In addition, the City can no longer charge the Harbor Department for costs associated with the Banning Museum, Drum Barracks, citywide Recreation and Parks costs, Pacific Region construction, Pacific Region Rangers, or the Los Angeles Convention Center.

Detailed information as to the composition of the budgeted Harbor Department reimbursement is not currently available from the City. Therefore it is not known whether the \$18.3 million budgeted amount reflects the terms of the settlement agreement. For the purposes of the CFA, it is assumed the \$13.2 million Fire Department charge does reflect 75% of the costs of providing service to the Port, and the \$5.1 million represents the reimbursement for Recreation and Parks services. However, the \$5.1 million is assumed to include costs that can no longer be charged to the Harbor Department, and has been reduced by 30% in estimating the amount that would accrue to the proposed Harbor City.¹⁶

Reimbursements related to gas tax projects are assumed to accrue to the Harbor City in proportion to population. LPFF for most other City budgetary departments are also assumed to accrue to the Harbor City either according to population or the number of employees transferred. Population or the number of transferred employees is assumed for certain revenues, depending on which measurement appears to represent the level of service to be provided for the specific reimbursement or service.

A more detailed allocation of LPFF revenue associated with the Building and Safety department has been provided, given the magnitude of fees collected. The Building and Safety department collects revenue for plan checks, permits, and inspection fees, among others. The allocation of the department's receipts for Construction Permits; Plan Checking Fees; and Engineering Fees, and Inspection and Other Services were estimated using the relevant workload measurements shown in the table below.

¹⁶ In June 1997, the City entered into a Memorandum of Understanding with the Harbor Department relating to the provision of municipal services. In the Memorandum of Understanding, it was estimated that 30% of the costs of the services to be provided by the Recreation and Parks department was related to activities that are no longer allowed under the terms of the settlement agreement with the State Lands Commission.

**BUILDING AND SAFETY DEPARTMENT
WORKLOAD MEASUREMENTS**

<u>Workload</u>	<u>Citywide</u>	<u>Harbor</u>	<u>%</u>
Permits Issued	326,266	16,386	5.02%
Plan Checks	75,182	3,040	4.04%
Inspections	1,117,711	46,775	4.18%

Detailed computations of Building and Safety LPFF are provided in Table R-6 in Appendix III.

A detailed allocation of LPFF has also been provided for the Fire Department. The allocation primarily assumes that most of the components of the Fire Department LPFF accrue to the Harbor area according to population, with the exception of the reimbursement for service from the City of San Fernando, which is not assumed to accrue to the Harbor City.

Detailed computations of Fire Department LPFF are provided in Table R-7 in Appendix III.

Power Revenue Transfer

Under the provisions of the Charter, the Department of Water and Power has historically transferred a portion of power system earnings to the reserve fund of the City (which is then transferred to the City's General Fund), at the discretion of the department's board. The department has covenanted in its revenue bond resolutions to restrict the transfer to its net income in the prior fiscal year. Actual transfers have been generally equal to 5% of the department's gross operating revenues.

Although the department's ratepayers in the Harbor contribute to the power revenue transfer, it does not appear that the proposed Harbor City could accrue any portion of the transfer, given that the Harbor City would not obtain an equity interest in the City's power system upon a special reorganization. Therefore, for the purposes of the CFA, it is assumed the Harbor City would not receive an allocation of the power revenue transfer.

Documentary Transfer Tax

The Documentary Transfer Tax is assessed on all taxable conveyances in excess of \$100 at a rate of \$.55 per \$500 or fractional portion of real property value, excluding any liens or encumbrances already of record. The amount of tax revenue is related to the number the real estate tax transactions in the City.

LAFCO allocated the documentary transfer tax based on fiscal year 1998-99 parcel sales recorded in the Assessor database. The Assessor parcel data include data on the most recent three sales. Based on a May 23, 1999 version of the Assessor parcel data, LAFCO was able to identify sales that had occurred in calendar years 1998 and 1999. These sales correspond roughly to the fiscal year period, and more precisely to sales occurring between January 1998 and May 1999.

LAFCO identified the parcels located in the City of Los Angeles based on tax rate area codes provided by the Assessor's office, and identified the parcels located in the new city based on data provided by the Assessor's office. LAFCO excluded from the analysis those parcels that are categorized as tax exempt by the Assessor for property taxation purposes.

Using this approach, LAFCO found that 1.69 percent of the property sales amounts were associated with Harbor parcels. This allocation factor was applied to the documentary transfer tax.

Grant Receipts

Grant funds are paid into the General Fund to be used at the discretion of the City. These grants differ from those where the use of funds is restricted to specific purposes, and the amount of revenue may be related to the level of overall activity of the City. Therefore, for the purposes of the CFA, it is assumed that the Harbor City would receive grant receipts proportional to the total number of City employees that provide service to the area.

Water Revenue Transfer

Similar to the power revenue transfer, the Department of Water and Power has historically transferred a portion of water system earnings to the reserve fund of the City (which is then transferred to the City's General Fund), at the discretion of the department's board. The department has covenanted in its revenue bond resolutions to restrict the transfer to its net income in the prior fiscal year. Actual transfers have been generally equal to 5% of the department's gross operating revenues.

Although the department's ratepayers in the Harbor area contribute to the water revenue transfer, it does not appear that the proposed Harbor City could accrue any portion of the transfer, given that the Harbor City would not obtain an equity interest in the City's water system upon a special reorganization. Therefore, it is assumed the Harbor City would not receive an allocation of the water revenue transfer.

Transfer from Reserve Fund

The City maintains a reserve fund comprised of a contingency reserve and an Emergency Reserve. Funds in the Emergency Reserve are to be used only upon the finding of an "urgent economic necessity" by the Mayor and Council. Because the amount in the City's reserve fund is relatively small in comparison to other California cities, it is assumed that this revenue item would not accrue to the Harbor City upon a special reorganization.

Tobacco Settlement

As part of a multi-state tobacco settlement agreement, annual payments from tobacco companies are expected to go to the state and to a consortium of 58 counties and four cities, including the City of Los Angeles. The settlement stipulates that states and local entities will continue to receive annual payments in perpetuity. The allocation of settlement funds to the City is set forth in a Memorandum of Understanding (MOU) involving the state, wherein the City of Los Angeles receives a percentage of the state's portion of the tobacco settlement proceeds. The City's allocation is not based on its population; it receives the same allocation as San Jose, San Diego, and San Francisco. The MOU states that: "[t]he distribution of funds pursuant to this MOU is not subject to alteration by legislative, judicial or executive action at

any level.” MOU p.14. The CFA therefore assumes that a new Harbor City would not receive any tobacco settlement funds pursuant to the special reorganization.

Special Purpose Fund Revenue

In addition to General Fund revenue, the City receives revenue for which the use is restricted to specific purposes. The largest special purpose fund revenue is the sewer construction and maintenance fund revenue, comprised primarily of wastewater system user fees and charges, which are restricted for use on wastewater-related costs. Other large special purpose fund revenues include the gas tax, which is assessed on the sale of gasoline and restricted to use on the City’s streets, and the Proposition A and Proposition C “local return” taxes, which are a portion of the .5% sales taxes restricted to use for transportation purposes.

Upon incorporation, the proposed Harbor City would be eligible for, and likely receive, many of the special purpose funds currently collected by the City. The City of Los Angeles in its February 2001 study estimated the geographic source of many special purpose fund revenues, and many of the City’s estimates (upon review of the City’s support data) have been used in this report. However, as with General Fund revenue, several revenue items generated by residents and businesses of the Harbor area may not necessarily accrue to the Harbor City. An example is the revenue paid into the Sewer Construction and Maintenance Fund. Because it is assumed that the Harbor City would contract with the City for wastewater service, the new city would pay for its share of the capital costs and operating and maintenance expenses through its users fees, but wastewater system revenue would not accrue to the Harbor City.

Further discussion of those revenues that may not accrue to the Harbor City, as well as alternate estimates made in lieu of the City’s estimates, are discussed below.

Sewer Construction and Maintenance Fund

The Sewer Construction and Maintenance Fund accounts for funds received for sewer-related purposes, including basic sewer service charges, Sewage Facilities Charges, and revenue from contract agencies. Because it is assumed that the Harbor City would contract for sewer service from the City, Harbor area businesses and residents would pay the City of Los Angeles for all sewer-related service, and the new city would not accrue any sewer system revenue.¹⁷

Convention Center Revenue Fund

The Convention Center Revenue Fund accounts for monies derived from the operation of the Convention and Exhibition Center. It is assumed for the purposes of the CFA that the Harbor City would not receive an equity interest or retain control of the operations of the Los Angeles Convention Center. Therefore, no Convention Center Revenue Fund revenue would accrue to the proposed city.

¹⁷ Any General Fund-supported cost for wastewater service has also not been allocated to the new city.

Los Angeles Convention and Visitor's Bureau Trust Fund

The trust fund receives an amount equal to what would be generated by a one percent transient occupancy tax, as well as an equal amount from the City's General Fund. Expenditures from the fund are restricted to the promotion and advertising of the Los Angeles Convention Center.

The Harbor City is not assumed to receive an equity interest or retain control of the operations of assets such as the Los Angeles Convention Center. Therefore, no trust fund would be required by the Harbor City to support a convention center. The Harbor City would not lose revenue without a trust fund, and would expend the one percent transient occupancy tax levy and matching general fund revenue on other purposes.

Zoo Enterprise Trust Fund

The Zoo Enterprise Trust Fund receives all Los Angeles Zoo revenues, as well as any required transfer from the City's General Fund. The Harbor City is not assumed to receive an equity interest or retain control of the operations of assets such as the Los Angeles Zoo. Therefore, no trust fund would be required by the Harbor City to support a zoo. The Harbor City would not be allocated any operating revenue from the zoo; however, it would retain any required general fund revenue for other purposes.

Arts and Cultural Facilities and Services Trust Fund

The Arts and Cultural Facilities and Services Trust Fund accounts for revenues from a 1% fee assessed on the cost of all construction, improvement, or remodeling work for each public works capital improvement project undertaken by the City. In addition, the fund is also supported by a transfer from the City's General Fund equal to the amount that would have been generated from the transient occupancy tax (TOT), imposed at the rate of 1%. Given the fund is supported primarily by TOT revenue, it is assumed for the purposes of this analysis that the amount that would accrue to the Harbor City is equal to the proportion of TOT generated in the Harbor area.

Older Americans Act Fund

Older Americans Act (OAA) funding is allocated to California for designated uses based on the number of seniors. The California State Department of Aging allocates funding to local Area Agencies on Aging within the State, including the City of Los Angeles, which are primarily responsible for the provision of service to seniors.

In the event of a Harbor special reorganization, the County of Los Angeles may receive the Harbor's share of OAA funding that would have otherwise been allocated to the City. It is therefore assumed in this analysis that the Harbor City would not receive OAA funds.

City Ethics Commission Fund

The City makes an appropriation annually from its General Fund to fund the operations of the City Ethics Commission. The revenue accounted in the City Ethics Commission Fund is thus a transfer from one City fund to another. However, to assist in reconciling to the City's budget, it is assumed the Harbor City would receive this revenue in an amount proportional to the total number of employees that would work for the benefit of the Harbor City.

Street Lighting Maintenance Assessment Fund

The Street Lighting Maintenance Assessment Fund accounts for revenue collected from annual assessments used to maintain or improve street lighting in the City. The number of Bureau of Street Lighting field offices in the Harbor area has been used to estimate the service needs in the Harbor area, and the proportion of street lighting assessments that would accrue to the Harbor City.

Local Public Safety Fund

Funds in the Local Public Safety Fund are allocated to the City in direct proportion to the amount of property taxes shifted to schools in the 1993-94 state budget, less the amount of State Motor Vehicle License fees received on a one-time basis. Funds must be spent on public safety.

It is unclear whether the Harbor City would receive Local Public Safety Fund revenue pursuant to section 30051 of the Government Code. The state allocation appears to lock in the percentage from the 1995-96 fiscal year, which is prior to the incorporation of a Harbor City. Therefore it is assumed the Harbor City would not receive any revenue from the Local Public State Fund.

Traffic Safety Fund

The Traffic Safety Fund accounts for the City's share of misdemeanor fines (not including parking offenses) and forfeitures collected, allocated subject to Section 42200 of the Vehicle Code. For the purposes of the CFA, it is assumed the share of Traffic Safety Fund attributable to the Harbor area is proportional to population.

As a point of reference, the number of traffic citations in the Harbor area was computed to provide a proxy measure of revenue generation. Based on fiscal year 1998-99 data, police service areas in the Harbor area accounted for 4.22% of all traffic citations issued.

Special Police Communications/911 System Tax Fund

The 911 System Tax Fund receives proceeds from a special parcel tax that was approved by voters in 1992 to repay bonds issued to finance improvements to the police communications system. It has been assumed in this analysis that the City would continue to administer the repayment of debt service on the bonds, and the residents of the Harbor area would continue to pay its allocable share of the parcel tax directly to the City. Therefore no Special Police Communications/911 System Tax Fund would accrue to the Harbor City upon a special reorganization.

Allocations from Other Governmental Agencies and Other Sources

This category includes a variety of miscellaneous revenue for engineering, design, fire protection, acquiring rights of way, and construction. It is assumed for the purposes of this analysis that the Harbor City would receive an amount of these various payments from governmental agencies and other sources in proportion to the general level of service provided by the Harbor City, as measured by the number of City employees that provide services on behalf of the Harbor City.

The computation for the allocation of all other special purpose fund revenues is provided in Table R-8 in Appendix III.

Additional State Revenue Available to Harbor City

Revenue from the State Motor Vehicle License Fee and Gas Tax would be available to the proposed Harbor City upon the effective date of the incorporation, which is assumed to be December 16, 2002. These revenues are allocated to cities in the state according to population. However, in estimating the population of a newly incorporated city, the State Controller must use the greater of the population computed by the Department of Finance, or three times the number of registered voters in new city.¹⁸ As of July 1999, the Harbor area had 53,878 registered voters. This results in a population estimate of 161,634 for purposes of allocating the state vehicle license fee revenue and state gas taxes, which is virtually equal to the 155,106 City Planning Department estimate of Harbor area population for 1998.

As shown in the table below, using these population estimates and the City's fiscal year 2000-01 budget estimate of the statewide vehicle license fee allocation to cities, it is estimated that the Harbor City would receive \$8.29 million in vehicle license fee revenue. When added to the estimated share that would be allocated to the City after the proposed special reorganization, the total revenue for the region would increase by \$260,000 annually.

ADJUSTED STATE MOTOR VEHICLE LICENSE FEE ALLOCATION (Dollars in Millions)

	2000-01 City Budget	2000-01 Adjusted for Harbor Allocation
Cities' Share *	\$ 1,418.67	\$ 1,418.67
City of Los Angeles population	3,781,545	3,625,745
Harbor City estimated population **	-	161,634
All other cities	23,869,745	23,869,745
Total cities population ***	27,651,290	27,657,124
City of Los Angeles share (%)	13.7%	13.1%
Harbor City share (%)	0.0%	0.6%
City of Los Angeles share (\$)	\$ 194.01	\$ 185.98
Harbor City share (\$)	\$ -	\$ 8.29
Total Los Angeles/Harbor share (\$)	\$ 194.01	\$ 194.27

* Source: "CAO Estimate" from City of Los Angeles, Revenue Outlook, Supplement to the 2000-01 Proposed Budget, April 2000, p. 31

** For purposes of computing VLF allocation. Based on number of registered voters as of July 1999.

*** Source: California State Controller, "State of California Shared Revenue Estimates, Fiscal Year 2000-2001."

¹⁸ Section 11005.3(b).

Similar to the allocation of vehicle license fee revenue, state gas taxes apportioned to cities under Sections 2105, 2106, and 2107 of the Streets and Highways Code would be allocated to the Harbor area based on population as estimated by the number of registered voters. This allocation method would result in an estimated additional \$61,000 in annual gas tax revenue that would accrue entirely to the Harbor City.

Revenue Cash Flow

It is assumed in this report that the City would collect all Harbor revenues that are not paid directly to the new city, and would retain all amounts for payment of City-provided contractual services and a mitigation payment. This process would ensure that the City is immediately paid for its services, and would reduce the costs that would result from the continual transfer of funds between the two cities. Of the estimated \$124.0 million in revenues that would accrue to the Harbor, \$74.0 million, or 59.7%, would be collected by the City.

The balance of Harbor City revenues would be paid directly to the new city by the County of Los Angeles or State of California. These revenues would, in turn, need to be paid immediately to the City, to ensure that the City can meet its on-going operating expenses. The new city would receive its allocation of sales tax, motor vehicle license fee, and gas tax revenue from the state upon the effective date of the new city. It is assumed in this report that the new city would receive its monthly allocation of revenues beginning in January 2003, and its quarterly allocation (sales tax) in March 2003.

The largest revenue that would be paid directly to the new city, property tax, will not be received evenly during the year, but will be paid in two large installments in December and April (beginning December 2003). All property tax revenue received by the new city would need to be paid to the City of Los Angeles upon receipt. The payment of property tax revenue from the Harbor City may not match the expenditure requirements of the City. However, the City faces this cash flow imbalance with its own property tax revenue (in addition to other revenues), and has managed this imbalance through the use of tax and revenues anticipation notes. It is expected that the City would need to continue with its cash flow borrowing in the event the Harbor City is incorporated. The interest cost associated with the City's cash flow borrowing has been allocated to the Harbor City as part of this CFA.

Financial Assessment of New City

It is estimated that the proposed Harbor City would not generate revenues in excess of the current cost of providing services, and would need to significantly reduce expenditures on municipal services in order to generate a reasonable reserve. However, the ability of the new city to accomplish such a reduction in expenditures, or the resulting impact on the cost or adequacy of service is highly uncertain.

Revenues Not in Proportion to Population

The primary factor causing the estimated gap between expenditures and revenues is that the Harbor area generates a proportionally low amount of revenues in comparison to its population. For many of the larger revenues paid into the City's General Fund, the share attributable to the Harbor area falls substantially short of the proportion of residents. The County of Los

Angeles has estimated that the Harbor area produced 3.67% of the property tax and 2.57% of the sales tax paid to the City, while its population represented 3.98%. In fact, except for utility user taxes, the Harbor area is not estimated to generate revenues in the same proportion to its population for any existing City General Fund revenue source. The Harbor area is characterized by a lack of large retailers and a disproportionately large manufacturing sector, which is not conducive to the generation of a high level of municipal revenues.

No Increase in State Revenues from Incorporation

The Harbor City would also not likely receive any additional state funding by incorporating. State vehicle license fee and gas tax revenue are allocated to newly incorporated cities based on the number of registered voters in the new city. In the case of the proposed incorporation in the San Fernando Valley, an allocation of state revenue using registered voters is estimated to result in \$13.4 million more in state revenue than the City currently receives. The Harbor area would not appear to benefit significantly from such a reallocation of state funds.

Service Levels Proportional to Population

The Harbor area is nevertheless well served in many municipal services, with an estimated 8.5% of the City's Fire Department personnel and 9.6% of the City's Recreation and Parks personnel located in the Harbor area. Adjusting for those municipal services provided solely for the benefit for the Port, the area's allocation of City personnel remains disproportionate to its population.

Risk Factors

Because the proposed Harbor City would need to rely on cost reduction initiatives in order to fund municipal expenditures with the revenues generated in the area, the new city would face several challenges in attempting to obtain a reasonable reserve during its first three years of incorporation.

Required Cost Reductions

In order that Harbor expenditures are reduced, the new city would need to reduce the level of service provided by the City, or attempt to provide the service itself, at a lower cost. It is unknown what timeframe would be required to accomplish this, or what the impact would be on the level of services provided to the community. The applicant has identified a conceptual plan that includes reductions in the overall city staffing, and reductions in the cost of personnel. However, the plan does not demonstrate what services would be provided by the reduced level of staff, and does not evaluate whether the current level of service would be unchanged.

Limited Cash Reserves

A new Harbor City would, in the absence of borrowed funds or transfers of cash from the City, have virtually no discretionary cash balances upon its incorporation. During the new city's first year of incorporation, the Harbor may be required to pay the City for services provided from all available revenues generated in the area. The Harbor would also not receive additional state subventions, in excess of the amount currently received by the City, as a result of its incorporation. Any cash balances would need to be accumulated over time, and would result only from cost reduction measures that the new city is able to implement.

Uncertainty of Revenues from Port Property

The revenues attributed to the Harbor City are based on the assumption that the Port of Los Angeles would be within the boundaries of the new city. The decision to include the Port within the new city's boundaries rests with the State Lands Commission, which has not yet made a decision. If the Port does not become part of the new city's boundaries, the new city would not accrue a substantial amount of property tax and utility user tax revenue, which have been assumed to accrue to the new city as part of the CFA.

Potential Cost Savings

The CFA has made the finding that the City of Los Angeles spends more on services than the revenues generated in the Harbor area. If the City continued to provide existing municipal services to a newly incorporated Harbor City, and the new city were required to reimburse the City for the fully allocated cost of these services, the new city would accrue a deficit.

In order to reduce this deficit, the City must agree to defer reimbursement of the estimated cost of providing service to the Harbor area, and a new Harbor City would need to reduce the cost of the services provided. In order to achieve the required level of reductions, the new city could:

- Reduce the number of City staff that are directly or indirectly providing services to the Harbor area.
- Obtain lower cost service from another provider, such as the County of Los Angeles or private operator.
- Attempt to transfer service responsibility from the City and provide municipal services independently at a lower cost.

Reduction in City Services

One of the most direct methods of reducing expenditures available to the new city would be to reduce the number of City personnel currently serving the Harbor. Although the new city would likely need to rely on the City to provide services for at least one year, and possibly longer, it could request that the City attempt to deploy its Harbor forces to other areas of the City. If the City were able to redeploy an estimated 250 positions, and not assign these positions to a Harbor City service contract, the new city would reduce its annual cost of purchased service by \$18 million. Taking these reductions in combination with a potential \$20 million in annual savings from contracting with the County of Los Angeles Sheriff's Department, the new city would be able to pay for its total expenditures from its own revenue.

However, identifying specifically where the City could redeploy any of its forces is unknown. In order to reduce 250 City positions, the City would likely need to make reductions to the larger City departments serving the Harbor, such as Fire, Recreation and Parks, General Services, and Building and Safety.

It should be noted, that the cost of services that would be charged to the Harbor has been estimated in both the IFA and this report; however, the City has not formally or informally provided such an estimate of its cost to serve the Harbor. While the methodology used to estimate the City's cost of

service appears reasonable and consistent with standard cost allocation practices, to the extent the City could provide the service for a lesser amount, the number of positions that would need to be eliminated would be reduced.

Lower Cost Providers

In a letter dated June 6, 2001, the County of Los Angeles Sheriff's Department estimated that at fiscal year 2000-01 contract rates, it could provide the new Harbor City with "full-service, comprehensive" police services for \$27 million annually. It has been estimated as part of this CFA, that the total direct and indirect City of Los Angeles cost of providing police service to the Harbor is \$47 million annually.¹⁹ Accordingly, the new Harbor City could reduce its annual projected expenditures by \$20 million annually by contracting with the County Sheriff's Department for police services.

Several factors must be considered, however, to assess whether the projected costs savings from County police services would in fact occur. First, the County's \$27 million cost figure is a preliminary estimate based on an initial assessment by the County of the costs of providing police services to the Harbor. To ultimately determine the cost of such service and to offer the Harbor a formal bid to provide the services, the County would have to conduct a detailed "Phase 2" study of the Harbor area over a period of roughly six months. Only after this detailed study would the projected costs of County police service in the Harbor be known definitively.

A second uncertainty surrounding the County's initial estimate of Harbor policing costs is potential "start-up" costs the County might incur. To provide adequate services, the County may need new or upgraded facilities and/or equipment, as it is not known whether existing facilities in the Harbor are adequate or, given that the City of Los Angeles would retain ownership of the existing facilities, even potentially available for use by the County.

A final uncertainty is the required political decisions that would have to occur before the County could provide police services to the Harbor. Both the County Board of Supervisors and the Harbor's new city council would need to approve the County's provision of police services. In addition, the County may seek the transfer of existing City police personnel to the County, which would require the consent of the police union. The outcome of such decisions is inherently unpredictable, and it would be premature to assume a particular outcome in the CFA.

The overall conclusion from this assessment is that while some evidence suggests the Harbor could reduce projected costs by receiving police services from the County, the amount of any such savings is uncertain.

Transfer of Service

In order to eliminate the projected deficit, the new city also may have the ability to provide services independently of the City, and at a lower cost. As discussed in "Appendix I: Analysis of Proposal and City Response," the applicant has prepared a staffing plan and operating budget in its

¹⁹ This figure is based on the estimated cost of 497 Police Department positions and another 20 positions from other support departments that would no longer be allocated to the Harbor. Also included is a proportional amount of costs relating to expenses, equipment, and "special class" appropriations. It should be noted that the County has estimated that the City of Los Angeles currently spends \$42 million annually to provide the Harbor area with "basic" police services.

supplemental proposal that purports to show how the new city could operate within its revenue constraints. An evaluation of this proposal has found that the estimated operating costs were likely underestimated.

Notwithstanding the applicant's supplemental proposal, it may still be possible for a new Harbor area city to operate within its revenue constraints, without a significant reduction in the level of services. An analysis of the spending of comparable cities in the Los Angeles and Orange County region is provided in "Appendix I: Analysis of Proposal and City Response - Feasibility of Service Transfer." This analysis has made the following findings regarding the potential of the new city to transfer service responsibility from the City, and provide the service at a lower cost:

- The City of Los Angeles provides the Harbor Area with a relatively high level of expenditures for key services such as police and fire.
- The City of Los Angeles provides a high level of service for police and fire, as measured by police and fire personnel per capita.
- Compared to comparable cities, the Harbor area generates a large amount of general fund revenue.

The data used in the analysis show that the City of Los Angeles spends a relatively high amount for police and fire service, and that the Harbor area receives a large share of City services. In addition, the data show that the City and Harbor area generate a large amount of general fund revenues compared to cities of relative size to the Harbor area; however, the Harbor area generates a smaller amount of revenue in comparison to the City as a whole.

The implication of the data is that the Harbor area, if incorporated as a new city, could continue to generate a large amount of municipal revenues relative to other comparably sized cities. The City currently imposes higher tax rates than many of the cities surveyed, and the Harbor area could additionally benefit from possessory interest taxes generated from the Port of Los Angeles. The revenues generated in the Harbor would appear sufficient to fund the same level of police and fire service that other Los Angeles area cities, such as Irvine and Torrance, provide.

However, the City of Los Angeles currently spends a relatively large amount for its police and fire service, and also provides (based on the number of police and fire personnel) a high level of service. In order for the new city to reduce its cost of providing service, it would need to reduce the number of police and fire personnel, in comparison to the number of personnel the City of Los Angeles currently staffs. Whether the new city could provide the same level of police and fire service as the City of Los Angeles would depend on the new city's ability to increase the productivity of its police and fire service (i.e. provide the same level of output with fewer personnel), which cannot be determined at this time.

3. Fiscal Impact on City of Los Angeles

This section discusses the fiscal impact on the City of Los Angeles in two particular areas: the current revenues and expenditures that would transfer to the new city (revenue neutrality), and the additional costs that would be incurred by the City solely as a result of the special reorganization.

Assessment of Revenue Neutrality

As discussed in section “Purpose and Findings of the Study,” LAFCO cannot approve the proposed Harbor special reorganization unless it finds that the current City revenues that would accrue to the proposed city are “substantially equal” to the current expenditures that would be assumed by the proposed city, or any negative fiscal impact “has been adequately mitigated by tax sharing arrangements, lump-sum payments, payments over a fixed period of time, or any other terms and conditions” imposed by LAFCO

With respect to revenue neutrality, this analysis has found that:

- A special reorganization in the Harbor area would not be revenue neutral.
- The current expenditures that would accrue to the Harbor City would exceed the current revenues that would accrue to the Harbor City by \$34.2 million.

A detailed analysis of the amount of revenue that would be generated by the residents and businesses in the Harbor area and accrue to a Harbor City (transferred from the City) is discussed in section “Financial Viability of New City - Harbor City Revenue.” Based on this analysis, it is estimated that 3.47% of the City’s General Fund revenue and 3.06% of all budgeted revenue would transfer to the Harbor City upon a special reorganization.

In comparison to the 3.06% of budgeted City revenue that would transfer to the Harbor City, it is estimated that the Harbor City would reimburse the City for 3.67% of its budgeted expenditures for purchased services.²⁰ In dollars, it is projected that, based on the fiscal year 2000-01 budget, the Harbor City would accrue \$123.6 million in revenue that would otherwise be paid to the City of Los Angeles, and would reimburse the City for service expenditures of \$157.8 million.

Projected Revenues and Expenditures

As a check of revenue neutrality, projected revenues and expenditures for the City are presented in table below, based on the City’s fiscal year 2000-01 budget. The projections show that, given the estimated annual payments from the Harbor City for purchased services, the revenues received by the City would greatly exceed its budgeted expenditures for fiscal year 2000-01. This would occur only if the new city reimbursed the City for its estimated cost of providing service to the new area.

²⁰ The fiscal year 2000-01 City budget provides for \$199.4 million in funding from available cash balances. The cash balances are not included in the estimation of the current revenue that would accrue to the Harbor City, and therefore the percentage of revenue accrued to the Harbor City is higher than the percentage of current expenditures for services that would be assumed.

CITY OF LOS ANGELES PROJECTED REVENUES AND EXPENDITURES
FISCAL YEAR 2002-03 THROUGH 2005-06
(Unadjusted for Inflation)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Revenue:				
General Fund	\$ 2,881,950,951	\$ 2,831,041,760	\$ 2,831,041,760	\$ 2,831,041,760
Special Purpose Funds	1,364,973,704	1,354,069,052	1,354,069,052	1,354,069,052
Payment from Harbor City	80,227,080	158,138,514	158,138,514	158,138,514
Mitigation Payment from Harbor City	-	-	-	-
Total Revenue:	4,327,151,735	4,343,249,326	4,343,249,326	4,343,249,326
Expenditures:				
Budgeted Expenditures	\$ 4,308,738,498	\$ 4,308,738,498	\$ 4,308,738,498	\$ 4,308,738,498
Administrative Costs	315,646	315,646	315,646	315,646
Redistricting Costs	1,000,000	-	-	-
Election Costs	-	-	-	-
Total Expenditures	4,310,054,144	4,309,054,144	4,309,054,144	4,309,054,144
Revenue Less Expenditures	17,097,591	34,195,183	34,195,183	34,195,183

Included in the projected expenditures for the City are additional costs (administrative and redistricting) directly relating to the Harbor area special reorganization. These costs are assumed to be paid by the Harbor City, and are discussed in the section below.

Additional City of Los Angeles Costs

In the event the Harbor area is incorporated, the City of Los Angeles is expected to incur costs that it would have not otherwise incurred. Even if the City is to provide virtually all municipal services on behalf of the Harbor during the new city's first three years of incorporation, the City would incur costs from:

- accounting and collecting Harbor revenue,
- computing the cost of services to the Harbor,
- accounting for and administering a purchase of service agreement with the Harbor,
- redistricting City of Los Angeles council districts, and
- City of Los Angeles Council elections.

It is assumed in the CFA that the new city would compensate the City for all of these costs.

Service Agreement Administration Costs

The CFA envisions the new Harbor City receiving nearly all services from the City of Los Angeles. These services would be provided initially through the transition period and then on the basis of service agreements negotiated

between the City and the new Harbor City. In providing these services to the Harbor, the City would incur both direct and indirect costs for which, under California law, they are entitled to reimbursement. One component of the City's indirect costs would arise from the City's need to administer the numerous service agreements. These service agreement administration costs would be an additive cost to the City of Los Angeles resulting from the special reorganization. The Harbor, therefore, would be responsible for reimbursing the City for these costs. This section describes the elements of these service agreement administration costs, the framework used to estimate them, and the actual estimate of these costs. It then briefly discusses a possible model for how the City and Harbor might structure the service agreements between them.

The City of Los Angeles will likely incur most service agreement administration costs from three types of activities. The first category of activities would consist of the ongoing oversight of the services being provided. These ongoing oversight functions could include responding to inquiries or complaints about services being provided, and ensuring that the level of service being provided is consistent with the terms of the relevant service agreement.

The second major category of the City's service agreement administration costs would be the actual billing for the services provided. Billing costs to the City could include those associated with notifying the Harbor that payments are due, the actual receipt and processing of payments, and any necessary tracking of payment status.

The third category of the City's service agreement administration costs would be determining the City's cost of providing the direct services to the Harbor. This is a particularly important administrative function with respect to service agreements, as a proper accounting of the cost of services will ensure that the City is reimbursed appropriately for the services it provides the Harbor, and that the Harbor is being charged correctly for the services it is receiving.

It should be noted that the City's negotiation of service agreements with the Harbor is not considered an additive cost of the special reorganization. It is assumed that the negotiation of service agreements can be handled by existing City staff as part of their normal business operations.

Given the three categories of administrative costs discussed above, the overall costs the City of Los Angeles will incur in administering service agreements with the Harbor will vary by agreement, with the key variables determining these costs being the volume and complexity of the particular service being provided. For those City departments providing the Harbor with a large quantity of services or services that are highly complex, the costs of administering the agreements related to these services will be relatively high. For City departments that provide the Harbor a low volume of services or services of relatively low complexity, the cost of administering service agreements will be relatively low.

To estimate the City's potential service agreement administration costs, information was obtained from the County of Los Angeles on its cost of

administering contract agreements.²¹ Although interviews with the City have yet to be conducted, based on the available County data, contract administration costs do appear to vary significantly by department. For the County department of Public Works, for example, contract administration costs are relatively high: as of fiscal year 2000-01, the department devotes roughly 5 full-time equivalent staff members to administer approximately \$60 million in contract services to 57 cities. Under the assumption that the “fully burdened” cost per staff employee (i.e., salary, benefits, and overhead) is \$100,000, the department’s contract administration costs amount to roughly 0.8% of direct service costs. The County Fire Department, at roughly 0.13% of direct service costs, incurs significantly lower contract administration costs.²²

For the purposes of the CFA, it is assumed that the City of Los Angeles would incur contract administration costs comparable to that experienced by the County’s lower cost providers, and an estimate of 0.2% of direct service costs is used for the City’s service agreement administration costs.

Structure of the Service Agreements

The CFA assumes that the City and the new Harbor City would negotiate the terms of the service agreements under which the City would provide services to the Harbor after the transition period. While these service agreements could be structured in any form agreed to by the City and the new city, a possible model is provided by the agreements that exist between the County of Los Angeles and the numerous cities to which the County provides various types of services.

The County has two separate agreements with each city it provides with services. It has, first of all, a standard “General Services Agreement” that is identical for every city. The General Services Agreement deals with broad issues, such as liability, that must be addressed no matter what the particular service the County is agreeing to provide. A single County department (specifically, the Chief Administrative Office) administers this agreement on behalf of the County. The other agreement the County has with each city addresses the specific services to be provided and the fee for those services. This agreement is negotiated directly between the County department that would provide the particular service and the city requesting the service. In general, certain minor adjustments are made to these detailed service agreements annually.

Redistricting Costs to the City of Los Angeles

The City of Los Angeles did not discuss the issue of redistricting costs in its response to the Harbor IFA. In its response to the IFA for the Valley, however, the City stated that under its charter, a special reorganization would result in it having to change the boundaries of its City Council districts (i.e., “redistrict”). Since the Valley special reorganization would eliminate 4 Council districts entirely and portions of 3 others, the City would need to redistrict to

²¹ Information was obtained through informal telephone interviews with County of Los Angeles staff in the Departments of Public Works, Agricultural Commissioner/Weights and Measures, Animal Care and Control, District Attorney, and Fire.

²² The County Fire Department data is based on the contract administration costs for the 10 “fee for service” cities to which the department provides services, which does not include the 47 cities to which the department provides services but receives compensation directly from property tax revenue.

create 15 newly realigned districts. The City also stated that it would have only 2 months to complete this redistricting process, and that the cost of such a process could be \$1 million.²³ Based on a benchmark analysis using data from the County of Los Angeles, it was concluded that the City's \$1 million estimate was reasonable, and therefore the Valley CFA used this estimate.²⁴

For purposes of the CFA for the Harbor area, it is similarly assumed that Harbor special reorganization would result in redistricting costs to the City of Los Angeles, as the City would need to realign all existing district boundaries to create 15 new Council districts. Estimating the potential costs to the Harbor is difficult, however, because they depend upon the outcome of the Valley special reorganization. If the Valley special reorganization is approved, then any City redistricting costs to the City would be split, on a proportional basis, between the Harbor and the Valley. If the Valley proposal is not approved but the Harbor is, all redistricting costs would fall to the Harbor.

Given that the CFA seeks to include all reasonably foreseeable costs, it is assumed that the Harbor would be responsible for the entire \$1 million in redistricting costs incurred by the City of Los Angeles.

Election Costs to the City of Los Angeles

Should a Harbor special reorganization occur, it does not appear that the City of Los Angeles would be required to hold a City Council special election. This is because a portion of Council District 15 would remain part of the City of Los Angeles, and the current Councilmember representing that district could

²³ "The redistricting process cannot commence until the will of the voters and the resultant city boundaries are known. The redistricting commission must represent the residents of the remaining City of Los Angeles. Considering that three secession efforts are occurring simultaneously, it is unknown which combination of these three will be successful and what the remaining boundaries of the City of Los Angeles will look like. The City will need to complete the redistricting process in two months in order to meet filing deadline requirements for the Spring 2003 municipal elections. This redistricting process could result in unanticipated costs of up to \$1 million."

²⁴ While estimating that the cost of its redistricting could be "up to" \$1 million, the City did not provide any information on how it calculated this estimate. As a way to assess the accuracy of the City's estimate, officials from the County of Los Angeles Chief Administrative Office were contacted to discuss the costs of the County's recently completed redistricting process. The information provided indicated that the County spent roughly \$650,000 on its redistricting process, although this figure excludes the cost of a significant amount of County staff time devoted to the project. Using the county's redistricting costs as a benchmark, and considering that the County's \$650,000 figure excludes significant amounts of staff costs, the City's estimate of \$1 million for its redistricting was deemed reasonable.

continue to be a City of Los Angeles Councilmember representing a newly configured District 15. Therefore no costs for a City Council special election are allocated to the Harbor.

Appendix I: Analysis of Final Proposal and City Response

Applicant's Final Proposal

This section provides a summary of the Harbor applicant's final proposal for special reorganization, and an analysis (with recommendations) of the important issues or concepts raised in the proposal. The analysis is based on certain key assumptions regarding the provision of service in the Harbor area by the City of Los Angeles (see section "Purpose and Findings of the Study - Findings of the Comprehensive Fiscal Analysis - Key Assumptions Used in Report").

It should be noted that LAFCO is not restricted to the provisions contained in the applicant's proposal and may impose its own terms and conditions on the proposed special reorganization. This section attempts to provide LAFCO with clearly identified, viable alternatives that may be considered in assessing the transition of service to the proposed new city.

Summary and Analysis of the Proposal

On June 8, 2001, the Harbor area applicant submitted its final proposal for special reorganization to the Los Angeles County LAFCO.

The applicant's proposal contains "municipal reorganization plan principles" that provide guidelines for, among other things, the transition of service to the new city, the allocation of regional assets, and the transfer of City employees. The proposal also contains a "municipal services plan" that describes the various divisions that would comprise the new city's government. The service plan does not identify staffing levels for the new city, or the process and timetable for the transfer of any City employees.

Election, Governance, and Transition

In general, the applicant has proposed that the new city would be incorporated as a general law city with five elected city council members. The proposed effective date of the new city would be January 1, 2003. All existing City of Los Angeles laws and ordinances would remain in full force in the new city. It is proposed by the applicant that the City of Los Angeles would provide some services on behalf of the new city during an initial 18-month "transition period."

Transition Period

The applicant has proposed that during the transition period the City of Los Angeles, under terms and conditions set forth by LAFCO, will provide services to the new Harbor City. It is further proposed that City employees would be transferred to the new city according to a "reorganization plan" to be included in the final CFA. The Final Proposal does not provide any detailed information regarding the timing or process involved in the transition of service.

Because services could transfer to the new city in a number of differing ways (each of which having a different fiscal impact), a definitive process must be identified so that a viable set of events can be evaluated. Issues that must be considered in transferring service include:

- the process for selecting employees from the City;
- the division of equipment and assets;

- the cost of incorporating the service in the new city's data processing and communications infrastructure;
- the logistical requirements for providing supplies, new office space, and equipment facilities needs; and
- the time frame involved in transferring services from the City.

Given that these issues have not been addressed in the Final Proposal, it is assumed in the CFA that the City will continue to provide services to the Harbor City for a period of at least three and one half years. The basis for this assumption is discussed in section "Service Alternatives for the Harbor." Any additional costs necessary in administrating and accounting for the billing and payment of such services have been estimated as part of the CFA. The potential terms of a service contract with the City of Los Angeles are described in section "Financial Viability of New City - Harbor City Costs - City of Los Angeles Purchased Service."

It is also assumed in the CFA that the effective date of a Harbor City incorporation would be December 16, 2002, in accordance with the supplemental proposal of the Harbor applicant.

Payment for Services

The applicant has proposed that, pursuant to the Government Code, the reimbursement for any service provided by the City of Los Angeles during the transition period would be made over a five-year term.

Section 57384 of the Government Code requires that, for cities incorporated from formerly unincorporated territory, the county continue to furnish services during the transition period, without additional charge. However, upon the county's request, LAFCO would be required to obligate the new city to reimburse the county for the "net cost of services," less any revenues generated in the previously unincorporated territory and retained by the county, within five years, or over a longer period upon board of supervisor's approval.

The CFA assumes that the City will provide services to the Harbor area during the transition period pursuant to Section 57384(a), and sets forth an alternative scenario where the City would provide services to the Harbor area without additional charge during the transition period and where the new city would be required to reimburse the City for the costs of providing services during the transition period.

Municipal Services

The applicant has described a "Municipal Service Plan" that outlines a basic departmental structure for the new city, the kinds of services the city would provide, and the categories of expenditures the city would likely incur.¹ Some of the plan's specific elements include consolidating three currently separate City of Los Angeles departments – Information Technology, Human Resources, and General Services – into a single "Administrative Services" department. The plan also states that the new Harbor City would receive

¹ *Special Reorganization of the Harbor Area Reorganization Proposal*, Chapter 4.

police services through contract arrangement with either the City of Los Angeles Police Department or the Los Angeles County Sheriff's Department.

The applicant's service plan, while providing a general overview of the service delivery structure envisioned in the Harbor, is not definitive. It omits estimates of specific staffing levels, often does not indicate which services the new Harbor City would provide directly and those for which it would contract with outside providers, and does not provide specific cost estimates for the various expenditure categories.² Absent these specifics, it is not possible to assess whether the applicant's service plan would, if implemented, indeed result in cost reductions to the new Harbor City.

Proprietary Departments and Regional Services

The applicant has proposed that "joint organizations" would be created for most regionally provided City services, including those provided by all City proprietary departments and "enterprise ventures." The specific form of any joint organizations would be specified by LAFCO, and the formation would occur during the transition period. It is proposed that the new city would operate and own "Harbor Area Waste Treatment Facilities" and "Harbor Area Power Facilities." The Final Proposal does not provide any detailed information regarding the timing or process involved in the transition of service.

Government Code Section 56844 provides LAFCO with the authority to form "improvement districts," which are districts "formed for the sole purpose of designating an area which is to bear a special tax or assessment for an improvement benefiting that area."³ Only improvement districts can be formed without complying with the requirements of the principal act.⁴ Accordingly, the applicants would have to comply with the principal act to form a regional service district. For example, to form a municipal utility district to provide the services of the Department of Water and Power, the process would have to comply with the provisions of the Municipal Utility District Act. Pursuant to the Municipal Utility District Act, initiation of formation proceedings requires resolutions of the public agencies involved consenting to the formation of the district (Public Utilities Code Section 11561) or a petition signed by ten percent of the registered voters (Public Utilities Code Section 11611), and an election called by the Board of Supervisors (Public Utilities Code § 11641). Each type of district the applicant may want formed may have different formation requirements. As the Applicant has not taken any of the legal steps to initiate the formation of such a district, LAFCO cannot consider the creation of such a district at this time.

As an alternative to the creation of a district, utility service could be provided to the new city by means of a purchase of service agreement with the City. This type of agreement would ensure that regionally provided utility services are not diminished in the newly incorporated territory and that user fees would be set to equitably recover the cost of service provided by the City.

² On this point, the Proposal states (in Section 4.1.5) that, "Initially, many services are likely to be provided by contract with the City or other entities. Over time, these services may be provided directly by the new City."

³ Government Code Section 56041.

⁴ Government Code Section 56125.

In the absence of a set of terms regarding the joint operation of a special district that would control the City's proprietary departments and regionally provided service, it is recommended that LAFCO proceed with the review of the CFA under the assumption that the City would continue to provide these services through a purchase of service agreement. A service agreement with the new city would likely result in a continuation of the same level of service for both cities, at the same cost, and would not require that LAFCO determine the terms of any jointly operated special districts, or attempt to devise a divestiture and asset allocation.

Assets and Liabilities

The applicant has proposed that all local physical assets and leasehold interests in assets located within the new city's boundaries, and which "substantially support the provision of municipal services to the city," would be transferred to the new city. A share of regional assets would also be allocated to the new city, as part of the formation of the proposed joint organizations. The specific form of ownership that would result from the asset allocation is not provided in the Final Proposal, and it is not clear whether the new city would have the right to restrict the usage or disposition of any regional assets.

Because the applicant has not addressed its ownership rights as a result of the transfer of ownership of City assets, LAFCO would need to consider whether the allocation would inhibit the usage by the City, or whether the new city would be able to force the disposition of any asset. If the new city could inhibit the use of such an asset, this may negatively impact the rights of bondholders or the ability of the City to meet existing contractual obligations.

As an alternative to LAFCO determining what assets would be transferred to the new city, and what rights of ownership the new city would have, it is assumed that the new city would receive only those assets that must transfer as an operation of law. Pursuant to Government Code Section 57385(a), these assets only include roads and highways in the territory.

Cash

The applicant has proposed that all "cash assets and receivables associated with allocated services will be allocated proportionally and equitably to those transferred services." It is assumed that the meaning of this proposal is that the Harbor City would receive cash from the City of Los Angeles based on the proportion of costs transferred to the Harbor City to total costs of the City.

As part of the initial fiscal analysis, it was assumed that no General Fund or special revenue fund cash of the City of Los Angeles would be allocated to the new city. General Fund cash was not assumed transferred given the City of Los Angeles appeared to lack a reasonable fund balance. Because the City's cash position has not appreciably changed since the preparation of the IFA, it is again assumed that LAFCO would not require a transfer of cash from the City as a condition of the Harbor area special reorganization.

Liabilities

The applicant has proposed that outstanding City liabilities would be allocated to the new city based on the City assets transferred to the new city. For City general obligation debt, the applicant has proposed that "To the extent the Harbor Area City is allocated its proportional share of the General Obligation

debt of the City of Los Angeles, a credit will be given for the estimated value of the new Harbor Area City's interest in regional assets of the City of Los Angeles." It is assumed that the meaning of this proposal is that, to the extent the current value of any assets financed with City general obligation bonds exceeds the imputed principal amount of general obligation bonds that would be payable by Harbor area residents, the difference would be an obligation of either the City of Los Angeles or new Harbor City.

As part of the initial fiscal analysis, it was assumed that the new city would be allocated a proportionate share of lease debt based on the location of the assets financed, but that the allocation of general obligation and special tax debt service would be based on property values or other existing method of allocating the tax.

There appears to be some flexibility in the manner lease obligation debt service is allocated, however, the specific methodology used to allocate the debt may not impact the determination of revenue neutrality, given the new city would be required to mitigate any imbalance in aggregate revenues and expenditures. That is, if a particular methodology to divide the lease debt resulted in a higher amount allocated to the City, the mitigation payment to the City would need to increase in order to balance the City's aggregate revenues and expenditures.

The requirement to repay the general obligation debt of the City will likely remain with the property, regardless of whether the property becomes part of the new Harbor City.

In the event of a special reorganization, it is assumed that the new city would pay a proportional share of lease obligation debt service based on the location of the debt financed assets, and that Harbor area residents would continue to be liable for repayment of general obligation and special tax bonds levied on their property tax roll. It is further assumed that the City would continue to determine the general obligation tax levy on property owners and provide for payment of debt service to bondholders. Under this scenario, payment of the general obligation tax would be made to the City (through the Los Angeles County Tax Collector) by all properties currently subject to the tax, and no budget appropriation would be required by a Harbor City.

Personnel

The applicant has proposed that, during a transition period, all existing City employees would continue to be employed by the City of Los Angeles. As the new city assumes responsibility for services, City employees could transfer and become the responsibility of the new city. The applicant has stated that the salary and benefits of any transferred employees would not be reduced, and that "seniority, bumping rights, and placement on Certification Lists will be honored." The applicant has further requested that LAFCO would determine which employees would transfer, and that the terms of collective bargaining agreements would be maintained.

In order that a reasonable level of service can be maintained in the Harbor area (for services that are not provided on a contractual basis), a process and set of rules will likely be necessary for the selection of employees transferred. Any such process would need to ensure that essentially the

same positions or classes of employees are transferred to the new city so that qualified personnel are available to the new city, and that any transfer can be accomplished in consideration of existing City of Los Angeles rules and rights of City employees. Furthermore, any process for transferring employees would need to set a definitive timetable for the transfer of specific positions to ensure adequate notification is provided, and that the City and its employees can prepare for the mobilization of staff. Without a definitive process and timetable, the fiscal impact or legality of any such transfer is difficult to assess.

The applicant has not provided a plan that addresses many of the complex issues that would result from a transfer of City employees. Further, LAFCO is not responsible for the development of such a plan on behalf of the applicant. Given the absence of a definitive process and timetable, it is recommended that LAFCO proceed with the review of the Harbor application assuming that no City employees would transfer to the new city during the first three and one half years of incorporation. This assumption is consistent with the concept that the City would continue to provide virtually all existing services during a transition period or through a purchase of service agreement.

Municipal Revenues

The applicant has proposed that, to the extent possible, all municipal revenues will accrue to the new Harbor City. To the extent any revenues cannot be paid directly to the new city, these revenues would be transferred to the new city in a timely manner. The applicant also proposes that the City provide a proportional share of grant funding to the new city.

Although a large amount of municipal revenues, such as the property tax and state subventions, would be paid directly to the new city upon the effective date of its incorporation, many others (e.g. business taxes, transient occupancy taxes, franchise fees, fees for services) are currently collected and accounted for by the City of Los Angeles. Any separate collection of the revenues would require that the new city and the remaining City of Los Angeles develop a process to separately collect and account for their respective revenues, and reconfigure the City's data processing systems to accommodate such a change. If an immediate transfer of revenue were imposed by LAFCO as part of the special reorganization, a detailed plan would need to be developed that would identify the specific steps necessary to provide this capability, in order that the time and cost of such a proposal could be presented to LAFCO for evaluation.

In addition to the necessity for a detailed collection and accounting process, an immediate transfer of revenue to the new city must consider the extent services are provided on a purchase of service basis from the City of Los Angeles. If the City is providing virtually all municipal services on behalf of the new city, yet would transfer a proportionate share of revenues to the new city upon its effective date, the City may be required to fund the contractual services in advance of reimbursement from the new city. This would result in lost interest earnings and potentially greater interest on cash flow borrowings, which would need to be accounted for in computing the estimated contractual services payment to the City.

As an alternative, LAFCO could require that the City of Los Angeles remain as the custodian of certain municipal revenues, until such time as a plan

(both technical and financial) can be developed to allow for the transfer of funds, which can be mutually agreed upon by the new city and City of Los Angeles.

It is therefore assumed that until the new city is able to negotiate an agreement otherwise, the City would continue to act as a trustee for all revenues collected, and would retain any amounts necessary to reimburse the City for any contractual services.

Revenue Issues Raised by Applicant

The Harbor applicant believes the IFA underestimates the amount of revenue generated in the Harbor Area by at least \$20 million, and cites four specific revenue sources that were under-allocated to the Harbor Area:

- Sales Tax
- Utility Users Tax
- Franchise Fees
- Truck Permit Fees

The specific issues raised by the applicant in relation to each revenue source is discussed and analyzed below.

Sales Tax

In its Final Proposal, the applicant states the following (Section 2.2.1 Revenues):

2.2.1.1 – Sales Tax – Tax revenues accruing to the Harbor Area City are likely to be understated. A comparison of the GRA [City's Geographic Revenue Analysis] estimate with that included in the IFA shows a difference of \$3.5 million.

1) GRA (page 21) analysis allocated \$12,254,385.

2) IFA (Table R1) allocates \$8,690,672.

3) A review of sales tax revenues collected by cities similar in size to the Harbor Area indicates revenues significantly greater than \$10 million.

4) The Harbor Area has a number of very large enterprises that buy a substantial amount of taxable business supplies and equipment.

The Applicant thus raises two questions about the IFA's allocation of sales tax revenue:

- Given that the City's fiscal year 1998-99 analysis showed Harbor sales tax revenues to be \$12.3 million, why does the IFA estimate the Harbor's fiscal year 2000-01 sales tax revenues to be \$8.7 million, or roughly \$3.5 million less?
- Why does the IFA estimate Harbor revenues to be \$8.7 million, given that "cities similar in size to the Harbor" show revenues "significantly greater than \$10 million," and that the Harbor Area "has a number of

very large enterprises that buy a substantial amount of taxable business supplies and equipment?"

The lower estimate of sales tax revenues in the IFA results from the use of an estimate developed by the Los Angeles County Urban Research Division (URD) instead of the City's analysis. Using data supplied from the California Board of Equalization, URD estimated that 2.6% of City-wide sales tax revenue in fiscal year 1998-99 was attributable to the Harbor Area. This compares to the estimate made in the City's Geographic Revenue Analysis that the Harbor Area contributed roughly 4.0% of all sales tax revenues in fiscal year 1998-99. Applying the smaller factor developed by URD for the Harbor Area (2.6%) to fiscal year 2000-01 sales tax revenue data results in the lower IFA estimate.

The IFA uses the URD estimate because it attempts to sort all sales tax accounts in the City by address (i.e. "geo-code"), and estimate sales for accounts with multiple branches. The City estimated sales tax revenues attributable to the Harbor using an average of two separate measures. The City averaged the estimated amount generated in the Harbor area identified from its internal "GRIP" database, with the estimated percentage of business tax generated in the Harbor. We believe the URD geo-coding effort is a more accurate methodology to estimate the geographic distribution of sales tax revenues within the City of Los Angeles.

In response to the applicant's assertion that the amount of sales tax estimated in the IFA is not consistent with the size of the Harbor, it does not appear that the "size" of a city (we interpret "size" to mean "population") provides a good indication of the amount of a city's sales tax revenues. In fact, a city's population appears to be a poor indicator of a city's level of sales tax revenues. As an example, data on California cities show that the amount of sales tax revenues per resident (i.e., sales tax revenues per capita) varies tremendously across cities – from as low as \$2.25 per capita in one city to as high as \$56,890.00 in another. The key variable determining a city's level of sales tax revenue is the value of taxable commercial transactions that occur within that city's boundaries, and this has far less to do with population than with the relative mix of land uses and, in particular, the concentration and success of the city's commercial (particularly retail) businesses.

We therefore believe that this issue does not merit further analysis as part of the CFA.

Utility Users Tax

The applicant believes the IFA underestimates Harbor Area utility users tax (UUT) revenue – specifically, from the natural gas tax portion of the UUT – by at least \$1 million.

In the Final Proposal, the applicant states the following:

2.2.1.2 – Utility Users Tax – The IFA may understate Utility Users taxes collected within the new Harbor Area City by at least \$1 million.

1) GRA did not allocate natural gas utility taxes.

2) GRA (page 16) shows total Utility User Tax of \$17,933,217 (electric \$10.8 million, telephone \$7.1 million).

3) IFA (Table R1) allocates Utility Tax of \$18,169,969, plus gas tax of \$2,428,000.

4) City of Carson natural gas tax revenue is 150% of electrical tax revenues because of the large number of heavy industries in Carson, similar to Wilmington.

5) IFA understates Harbor Area City gas tax revenues by at least \$1 million.

From the information provided in the applicant's proposal, it is not clear how it concluded that the IFA underestimates the Harbor area's gas tax revenues by "at least \$1 million." Nevertheless, the applicant's general concern – that the IFA may underestimate the Harbor City's gas tax revenues – appears to result from the following questions:

- What explains the discrepancy between the IFA's estimate of the Harbor area's UUT revenues and the estimate made in the City's Geographic Revenue Analysis?
- Why is the ratio of gas tax to electricity tax revenues generated in the Harbor area so low compared to the City of Carson?
- Is the IFA's use of the electricity tax portion of the UUT as a proxy for the gas tax portion of the UUT an accurate way to estimate the Harbor area's gas tax revenues?

With respect to the electricity and telephone portions of the UUT, the difference between the IFA and the City's Geographic Revenue Analysis was due to the use of different fiscal years. All the revenue allocations in the IFA were based on the 2000-01 City budget, whereas the City's Geographic Revenue Analysis was based on actual 1998-99 revenues.

We therefore believe that this issue does not merit further analysis as part of the CFA.

Gas Tax

The applicant has stated that the IFA underestimates the amount of gas tax revenues generated in the Harbor area, given that a comparable city (Carson, California), which has a "large number of heavy industries," collects gas tax revenues that are 150% of its electricity tax revenues. The applicant states that because the Wilmington portion of the Harbor area also has a "large number of heavy industries," the ratio of gas tax revenues to electricity tax revenues in the Harbor area should resemble that of the City of Carson – presumably something close 150%. The IFA estimates the Harbor area's gas tax revenues to be only 24% of electrical tax revenues.

At this time, City of Carson revenue data has not been obtained to verify that the gas tax revenues are indeed 150% of electricity tax revenues. Even if this ratio is accurate, this does not mean that the IFA is underestimating the amount of gas tax revenue generated in the Harbor area. It must be shown

that Carson and the Harbor area exhibit a similar ratio of revenues generated from gas and electricity taxes, and that other plausible alternative explanations for why the ratio of gas to electricity tax revenues generated might be higher in Carson than in the Harbor area, such as differing tax rates on gas or electricity usage, do not exist.

Because the IFA uses electricity tax revenues as a proxy measure instead of actual data to estimate the amount of gas tax revenues generated in the Harbor area, and because it is not known whether the Harbor area's generation of electricity tax revenues provides a good indicator of the area's gas tax revenues, the applicant's concern over the accuracy of the IFA's allocation of gas tax revenues appears legitimate. Therefore, an analysis of the amount of gas users' tax attributable to the Harbor area has been conducted using actual data from the Southern California Gas Company (see section "Financial Viability of New City - Harbor City Revenue").

Franchise Fees

The applicant believes the IFA underestimates the amount of "gas-oil pipeline franchise tax revenues" generated in the Harbor by \$4 to \$5 million. It is not clear whether the applicant believes the IFA underestimates just the gas system portion of the franchise tax revenues generated in the Harbor, or whether the Applicant believes that oil pipeline and all other pipeline-related franchise fee revenues are underestimated as well. In its Final Proposal, the applicant states the following:

2.2.1.3 – Franchise Fees – Franchise fees in Gas-Oil Pipelines appear to be understated in the IFA, not reflecting the significant concentration of these facilities in the Harbor Area City.

1) GRA (page 29) allocates total Franchise Income of \$1,034,707 to Harbor Area City, excluding gas pipeline revenues.

2) IFA (Table R5) allocates \$1,009,847, including gas pipeline fees of \$424,768.

3) IFA allocated gas pipeline revenues based on cable franchise revenues.

4) IFA indicates that the City collects gas pipeline franchise taxes of \$13.8 mil.

5) Approximately 40% of all gas-oil pipeline capacity within the City is in the Harbor Area City.

6) Harbor Area City gas-oil pipeline franchise tax revenues should exceed \$5.5 million.

It appears the applicant's concern over the IFA's allocation of franchise fee revenues focuses on two issues:

- Given that the City of Los Angeles collected \$13.8 million in gas franchise fees in FY 2000-01, why did the IFA allocate only \$424,768

in gas pipeline franchise fees to the Harbor area when “approximately 40% of all gas-oil pipeline capacity within the City is in the Harbor area”?

- Why did the IFA base its allocation of gas franchise fees to the Harbor area on the allocation of cable franchise fees?

The applicant is concerned that the IFA's allocation of \$424,768 in gas pipeline franchise revenues to the Harbor area underestimates the amount of revenues actually generated in the Harbor. The reasoning appears to be that the City collected \$13.8 million in gas franchise revenues in fiscal year 2000-01, and because 40% of the City's “gas-oil pipeline capacity” is within the Harbor area, the Harbor area is the source of 40% of these revenues. By this line of reasoning, the Harbor area should be allocated 40% of all gas franchise revenues, or roughly \$5.5 million, instead of the \$427,768 contained in the IFA.

Although City data is not currently available that would verify the claim that 40% of the City's “gas-oil pipeline capacity” is within the Harbor area, it does not appear that this information is relevant given the method gas and oil pipeline franchise fee revenues are generated.

In analyzing the source of pipeline-related franchise fee revenues, it is important to distinguish within the City's system of levying franchise fees two distinct categories of “gas-oil” pipeline franchise fees that have distinct fee structures:

- (1) the franchise fee revenues that the City collects on the single franchise agreement between the City and the Southern California Gas Company related to the company's gas distribution system within the City of Los Angeles; and
- (2) the franchise fee revenues the City collects on the roughly 36 other existing franchise agreements with numerous firms with pipelines in the City of Los Angeles that convey oil and other substances.

Under the City's single franchise agreement with Southern California Gas Company, the franchise payment the City receives from the Gas Company is 2% of the value of gross sales of gas within the City. Thus while the franchise the City grants to the Gas Company under this agreement is for the Gas Company's actual gas distribution system itself (i.e., the pipelines and other physical components of the system), the payment the Gas Company makes to the City is calculated from the value of gross sales, not the physical components of the system.

It is from this franchise agreement with the Gas Company that the City received roughly \$13.8 million in revenues in fiscal year 2000-01. Of this \$13.8 million in total revenues, the applicant asserts that the Harbor area generates 40% of these revenues, or roughly \$5.5 million, as “40% of all gas-oil pipeline capacity within the City” is in the Harbor area. However, because the franchise fee revenues under this agreement derive from the value of gross sales of gas and not the physical components of the gas distribution system, the amount of these revenues generated in the Harbor area depends on the value of gross sales in the Harbor area, not on the amount of physical

pipeline capacity located within the Harbor area. The key question, then, is: What percentage of citywide gas sales occurs in the Harbor area?

For the second category of franchise fee revenues listed above – those related to the approximately 36 franchise agreements between the City and various firms with pipelines in the City that convey oil and other substances – payments to the City from these firms, while varying somewhat in the different agreements, is based on the physical components of the pipeline and associated conveyance system. In general, the fee paid to the City consists of a base rate per lineal foot of pipeline within the franchised area, and often this base rate increases as the diameter of the pipe becomes larger. For this second category of franchise fees, the applicant's assertion that the location of the pipelines determines where the revenues are generated is correct. However, according to City budget documents, the combined revenues from all the franchise agreements in this category were less than \$1.8 million. Therefore, even if 40% of citywide pipeline capacity is, as the applicant asserts, located in the Harbor area, the revenues generated in the Harbor area from this second category are at most \$700,000, and probably far less.

It does not appear that the applicant's assertion that the Harbor area's "gas-oil" pipeline franchise revenues are at least \$5.5 million is justifiable. Based on the gas users' tax, which is a function of the amount of gas used, it is estimated that the Harbor area uses only 3.66% of the total amount in the City (see section "Financial Viability of New City - Harbor City Revenue"). Applying this percentage to the \$13.8 million in gas franchise revenue budgeted for fiscal year 2000-01 would produce only \$505,080 attributable to the Harbor.

Implicit in the applicant's assertion that the IFA underestimates the amount of gas distribution system and oil pipeline franchise fee revenues generated in the Harbor area is a critique of the method the IFA uses to allocate these revenues. Because actual data on the geographic distribution of these franchise fee revenues is not currently available, the IFA uses alternative measures.

To estimate the amount of gas franchise revenues generated in the Harbor area, the IFA uses cable franchise revenues as a proxy measure. The City's geographic revenue analysis estimated cable franchise revenues based on actual data from cable service providers. Thus, because actual data indicates that the Harbor area generates 3.08% of citywide cable franchise revenues, the IFA estimates that the same percentage of citywide gas franchise revenues is generated in the Harbor area. For all other pipeline-related franchise revenues (i.e., those associated with the roughly 36 franchise agreements discussed above as "category 2"), the IFA uses population as a proxy measure, allocating 4.12% of these revenues to the Harbor area.

Because the IFA uses proxy measures instead of actual data to estimate the amount of gas distribution system and oil pipeline franchise fee revenues generated in the Harbor area, and because it is not known whether these proxy measures provide sound estimates of these revenues, the applicant's concern over the accuracy of the IFA's allocation of gas and oil pipeline franchise revenues is legitimate.

As discussed above, actual data from Southern California Gas Company on sales of gas in the Harbor area has been obtained, which may be a more precise estimate for the gas franchise revenue than cable franchise revenue, and is used in this report.

Truck Permit Fees

The applicant believes the IFA insufficiently accounts for Harbor-generated “truck permit fees,” which are the fees levied on truckers that use City roads in the course of business. The annual minimum fee imposed on truckers operating in the City is \$88.69. The fees can be higher depending on the weight of the truck(s) and the number of days of operation in the City.

In its Final Proposal, the applicant states the following:

2.2.1.4 – Truck Permit Fees – The IFA did not allocate City truck permit fees totaling more than \$45 million, a significant portion of which will accrue to the new Harbor Area City.

1) City Code Section 21.195 (Ordinance Number 123,096) levies tax of \$88.69 minimum on every truck which operates in the City.

2) City collects more than \$45 million annually in truck permit fees.

3) More than 30% of these trucks never operate in any other part of the City of Los Angeles except for within the Harbor Area.

4) Harbor Area City truck permit fees may exceed \$13.5 million.

5) Truck permit fees were not listed in detail in the IFA, but were probably allocated as miscellaneous business tax, at a 2.3 percent rate.

According to the applicant, the City collects more than \$45 million annually in truck permit fees. The applicant asserts that 30% of the trucks subject to the fee operate solely in the Harbor area portion of the City of Los Angeles, and therefore 30% of the \$45 million in revenues, or roughly \$13.5 million, is generated in the Harbor area. The applicant believes the IFA, which does not specifically account for truck permit fee revenues, mistakenly allocates only 2.31% of truck permit fee revenues to the Harbor, as part of the overall allocation to the Harbor of citywide business tax revenues.

Subsequent to the release of its geographical revenue analysis, the City of Los Angeles has confirmed that the truck permit fee is no longer collected as part of the city’s business tax, and that this fee is paid directly to the state. Therefore, neither the \$45 million collected citywide, nor the purported \$13.5 million generated within the Harbor area currently exist.

Conclusions and Recommendations

Based on our review and analysis of the applicant's Final Proposal, we have made the following findings:

- The Harbor Proposal describes general concepts and principles for its new city, but does not provide detailed information on what services would be provided by the new city, or how employees, equipment, or facilities would transfer to the new city.
- In the absence of a detailed plan in the Final Proposal, it is likely that the new city would need to rely on the City of Los Angeles to provide municipal services for some period of time.
- Although the IFA projected budget deficits for the new city, the Final Proposal does not identify any additional revenues or cost savings that would eliminate this deficit.
- It is possible that the new city could achieve cost reductions by implementing cost saving or service reduction initiatives; however, the resulting service impact of these initiatives is unknown.

The applicant has submitted an ambitious proposal that describes, conceptually, how municipal services could be provided in the Harbor involving a transfer of existing City of Los Angeles employees and assets. The applicant has not addressed how it would implement any such transfer, and has proposed that LAFCO determine how this would be done.

In the absence of a detailed plan by the applicant and in response to the numerous comments by the City of Los Angeles regarding the negative impacts of a transfer of employees and assets, it is recommended that in the analysis of the Harbor proposal for special reorganization, LAFCO assume the new city would rely on the City of Los Angeles to provide essentially all services for the Harbor. This would be a likely alternative in the event the City of Los Angeles and the applicant are unable to agree upon an immediate transfer of employees and assets.

Evaluation of Harbor Incorporation Analysis

The Harbor area applicant has supplemented its final proposal for special reorganization with the "Special Reorganization of the Harbor Area Harbor Incorporation Analysis," dated October 8, 2001. The Incorporation Analysis provides a projected budget for the new city over the first seven years of the city's incorporation. This memorandum evaluates the assumptions used, the results of the Incorporation Analysis, and the impact on service levels in the Harbor area.

Assumptions Used in the Incorporation Analysis

The applicant's analysis does not provide a written description of the assumptions used to develop the budget projections. However, the tables included in the analysis contain notes and some level of detail of the computations used. Based on the tables and notes provided, it appears the projections rely on the following key assumptions:

1. The new city would contract with the City of Los Angeles for animal services, parks and recreation, and fire protection.
2. The cost for the services provided by the City would be lower than the cost estimated in the Draft Comprehensive Fiscal Analysis.
3. The new city would immediately receive Sheriff service from the County.
4. The cost of County services would be less than the cost of police service currently provided by the City.
5. The new city would immediately hire its own employees for all other services provided.
6. The pay scale of the city's employees would differ from the City of Los Angeles.
7. The new city would offer a different level of services compared to the City of Los Angeles.

Upon evaluation, several of the assumptions do not appear realistic. The assumption that the new city would not receive service from the City of Los Angeles, at least during a "transition period," does not appear feasible. If the new city did not continue to receive service from the City, the new city would need to immediately hire 278 positions that the applicant has identified would be needed to staff newly created city departments (e.g. public works administration, planning and building inspection, and finance). In order to hire its own staff, the new city would need to determine its organizational structure, create job descriptions for the positions, advertise for the positions, and select employees - all of which would take, at a minimum, several months. The City of Los Angeles would also need to redeploy an estimated 1,187 City employees that currently provide service to the Harbor area. This may impose an additional cost on the City, which may need to be mitigated. It is therefore likely that the new city would need to rely on the City for services, at least during the remainder of the first year of incorporation.

Contracted Sheriff Service

It is assumed in the Incorporation Analysis that the new city would be able to receive police service from the County of Los Angeles during its first year of incorporation, and the cost of such services would be \$27.3 million. The County Sheriff's Department has stated that it would need to conduct an assessment prior to entering into a contract with the new city, in order to

determine how it would provide the service and to estimate the costs of the service.⁵ The assessment would determine the capital and equipment requirements to provide the service, which may or may not involve the utilization of existing City of Los Angeles facilities. The County has indicated that it would require at least six months to perform this study. The Sheriff's Department would also need to staff the positions required as part of the Harbor area service contract. The Draft CFA estimated that 497 Police Department staff serve the area, based on the fiscal year 2000-01 budget. If the existing City police staff are not transferred to the County as part of the Harbor contract, the County would need to hire for the staffing requirement. These factors imply that the County would not be able to provide services during the transition period.

Contracted City Service

For those services that the City of Los Angeles would provide on contract, the cost of the services calculated in the Incorporation Analysis is substantially less than the estimated amount necessary to reimburse the City for its costs. As an example, for animal services, the Harbor applicant estimates the cost of City services at \$620,000 per year (\$4.00 per capita), which is net of \$300,000 in annual revenue from fees for service. The rationale for this cost estimate is not given, and does not appear to consider the City's fully allocated cost of providing the service. Using the City's fiscal year 2000-01 salary budget for the Animal Services department, and the 20 positions estimated in the Draft CFA that would serve the Harbor, the direct cost of providing the service would be \$898,000. Adding the City's indirect costs, as estimated by the City's Controller's Cost Allocation Plan, another 92% would be added, for a total animal services cost of \$1.7 million.

The applicant's cost estimate for City fire and park and recreation services does approximate the estimate of direct costs in the Draft Comprehensive Fiscal Analysis, but does also not include an allocation of indirect costs. The omission of indirect costs implies that the City would not be reimbursed for costs attributable to the service, such as general services, personnel, or controller support services, or for liabilities such as debt service obligations.

As shown in the table below, the cost of all services that would be contracted from the City, including the estimated indirect costs, would be \$59.7 million per year. This is \$20.8 million higher than the amount estimated in the Incorporation Analysis.

⁵ Letter from County of Los Angeles Sheriff to LAFCO dated October 1, 2001.

**COMPARISON OF INCORPORATION ANALYSIS COST ESTIMATE TO
FULLY ALLOCATED COST**

<u>Department</u>	<u>Incorporation Analysis Estimate</u>	<u>Direct Cost</u>	<u>Indirect Cost [1]</u>	<u>Fully Allocated Cost</u>
Animal Services	\$ 620,424	\$ 898,032	\$ 827,716	\$ 1,725,748
Fire	29,300,000	28,671,388	11,933,032	40,604,420
Recreation and Parks	9,006,876	9,229,358	8,171,674	17,401,032
Total	\$ 38,927,300	\$ 38,798,778	\$ 20,932,421	\$ 59,731,199

[1] - CAP rate for "Fringe Benefits" and "Central Services." The Fire CAP rate is for sworn personnel, and is also applied to civilian personnel.

Reduction in Services

The organization structure proposed by the new city excludes several City of Los Angeles departments, and implies that the new city would not provide the services currently furnished by these City departments. The table below summarizes the City services that would no longer be provided by the new city, and the estimated annual cost of those services.

**CITY SERVICES NOT PROVIDED IN HARBOR
INCORPORATION ANALYSIS**

<u>Department</u>	<u>Estimated Annual Cost</u>
Aging	\$ 120,185
Bureau of Management-Employee Services	66,877
Bureau of Sanitation	2,829,203
Commission for Children, Youth & Their Families	64,354
Commission on the Status of Women	90,222
Cultural Affairs	879,920
Department on Disability	72,526
Emergency Preparedness Department	94,992
Employee Relations Board	113,032
Environmental Affairs	148,337
Ethics Commission	78,672
Human Relations Commission	72,845
Total Budgetary Departments	\$ 4,631,165

The table above includes the Department of Sanitation, which primarily provides solid waste collection and disposal service. It does not appear that the new city would have the flexibility to forgo this service, given the essentiality of collecting solid waste. It is therefore assumed that the new city would contract with the City for this service.

The next largest service that would no longer be provided by the City would be the work performed by the Department of Cultural Affairs. The department currently offers or supports performing arts workshops and

cultural events at its Performing Arts Firehouse, Banning's Landing, and Croatian Cultural Center facilities, which are located in the Harbor area. The City also owns the Warner Grand Theater, which is a restored theater that shows classic films. Other City departments that would no longer provide service to the Harbor area include the Department of Aging, which programs federal aging funds to the area, and the Department of Environmental Affairs, which coordinates the City's activities for certain environmental issues. As neither the City of Los Angeles nor the new city would provide the services described above, these services would no longer be available in the Harbor area.

In addition to the City departments that would no longer furnish services, the applicant proposes to collapse several other City departments into a single department of the new city. The new city's "Public Works Administration" would provide services currently performed by the City's Public Works Board, Bureau of Accounting, Bureau of Contract Administration, Bureau of Engineering, and Transportation departments. The new city's reorganization of the City departments would reduce the number of staff serving the Harbor area for these services from 94 to 42, which is a 55% reduction from the estimated City staffing level. The Incorporation Analysis does not describe what functions the reorganized Public Works Administration would perform, or how its workload would differ given the new department would operate with 55% less staff than the City.

The proposed staffing level for the new city's Public Works Administration department is based on the public works staffing at 3 other regional cities: Irvine, Garden Grove, and Burbank. In order to determine whether the cities are indeed comparable, it must be shown that the cities provide a similar type and level of service to that which the new Harbor city intends to provide. For example, the largest of the City departments that would be collapsed into the new Public Works Administration department is the City Department of Transportation, which, among other things, maintains traffic signals, issues traffic citations, manages DASH transit routes, and operates the ATSAC signal management system. In order to determine that Irvine is comparable to the new city, factors such as the number and age of traffic signals, and the number of parking meters in the City of Irvine must be identified to estimate the workload for the department. This analysis was not included as part of the Incorporation Analysis and would need to be undertaken to determine the impact on Harbor area service levels.

Conclusions

The evaluation of the applicant's Incorporation Analysis has made the following findings:

- The City of Los Angeles would need to provide services to the new city, at least for the remainder of the first fiscal year (the transition period).
- The County Sheriff's Department would not be able to provide service to the Harbor area during the first fiscal year.
- The cost of County Sheriff's services is uncertain, and will require further study by the County.

- The costs estimated by the applicant for contracted City services do not accurately reflect the fully allocated cost of providing service, and may underestimate costs by \$20.8 million per year.
- Certain existing City services, such as those offered by the City's Cultural Affairs and Aging departments, would no longer be provided in the Harbor area.
- The new city has indicated that it could offer existing City services with less staff, but has not shown how it could perform the required workload.
- Additional research on staffing and workloads would be required to estimate the impact of the Incorporation Analysis staffing plan on service in the Harbor area.

Feasibility of Service Transfer

Notwithstanding the applicant's supplemental proposal, it may still be possible for a new Harbor area city to operate within its revenue constraints, without a significant reduction in the level of services. This section provides an analysis of the spending of comparable cities in the Los Angeles and Orange County region, to assess whether other cities are able to provide key city services at a cost lower than the City of Los Angeles.

This analysis identifies the level of general fund spending of five cities in the Los Angeles/Orange County region, which are of similar size to the Harbor area in terms of population. These cities are Torrance, Pomona, Garden Grove, Irvine, and Carson (see table below).⁶ This analysis also includes a more detailed evaluation of the services provided within these comparable cities for police and fire services. Where possible, comparable figures for the City of Los Angeles are provided as well. Unless otherwise noted, all revenue and expenditure figures used in this analysis are based on budgeted amounts for fiscal year 2000-01.

POPULATION OF COMPARABLE CITIES

<u>City</u>	<u>2000 Population</u>
Los Angeles	3,694,820
Garden Grove	165,196
Pomona	149,473
Proposed Harbor Area City	146,965
Irvine	143,072
Torrance	137,946
Carson	89,730

Source: 2000 U.S. Census. Population of Harbor Area from County of Los Angeles Urban Research Division.

General Fund Expenditures

The per capita general fund spending for the cities in this analysis is shown on the table below. The general fund spending for the cities varies widely, ranging from a low of \$339 for Garden Grove to a high of \$868 for the City of Torrance. The City of Los Angeles, at \$794, budgeted the second highest amount of general funds per capita. And based on projected 2000-01 general fund revenues, the proposed Harbor Area city could have budgeted nearly \$694 per capita in general fund revenues, less than Torrance and the City of Los Angeles as a whole but more than the other cities in this survey.

⁶ This analysis includes the City of Carson due to its geographic proximity to the Harbor Area.

**BUDGETED GENERAL FUND EXPENDITURES
FOR COMPARABLE CITIES
FISCAL YEAR 2000-01**

<u>City</u>	<u>Per Capita General Fund Expenditures</u>	<u>Total General Fund Expenditures</u>
Torrance	\$ 868	\$ 119,782,653
Irvine	655	93,686,384
Carson [1]	496	44,539,273
Pomona	374	55,910,903
Garden Grove	339	55,934,700
City of Los Angeles	794	2,932,860,143
Estimated Potential General Fund Expenditures for Proposed Harbor Area City [2]	694	101,943,123

[1] - Although not similar in population, Carson has similar demographic and industrial characteristics.

[2] - Expenditure figures for proposed Harbor Area City are based on the estimated General Fund revenues that a Harbor Area City would have received during fiscal year 2000-01, as calculated in this Comprehensive Fiscal Analysis.

Several factors contribute to the variance in general fund spending. Probably the most important of these factors is each city's relative ability to raise general fund revenues. The table below compares selected categories of each city's general fund revenues for a single fiscal year. Torrance, which has the highest level of general fund expenditures per capita of all cities in this analysis, is among the highest in per capita revenues in each category. And Garden Grove, the lowest in per capita general fund expenditures, is among the lowest in each per capita revenue category, and also has no utility users tax.

**BUDGETED TAX REVENUE PER CAPITA
SELECTED MAJOR GENERAL FUND REVENUE SOURCES
FISCAL YEAR 2000-01**

<u>City</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Utility Users Tax</u>	<u>Business Tax</u>	<u>Transient Occupancy Tax</u>
Torrance	\$ 116	\$ 263	\$ 173	\$ 48	\$ 47
Irvine	79	299	18	5	44
Carson	46	209	N/A	18	6
Pomona	62	83	86	13	10
Garden Grove	50	97	N/A	10	17
Los Angeles	154	91	122	87	28
Proposed Harbor Area City [1]	142 [2]	59	124	51	9

[1] - Estimate of Harbor Area revenues based on Comprehensive Fiscal Analysis allocation of 2000-01 City of Los Angeles revenues to the Harbor Area.

[2] - The Harbor Area's estimated property tax figure includes property taxes contributed by properties within the boundaries of the Port of Los Angeles.

In comparing the Harbor Area's estimated revenues with those of existing comparable cities, several items stand out. First, the Harbor Area's estimated revenues per capita vary significantly across revenue categories. For property, business and utility users taxes, the Harbor's revenue per capita is relatively high. With respect to the Harbor Area's estimated property tax revenue per capita, it is important to note that the relatively high revenue

shown in the table – significantly higher than any other city in this survey other than the City of Los Angeles as a whole – includes tax revenues contributed by properties within the boundaries of the Port of Los Angeles. Based on data from the Los Angeles County Assessor's Office, as much as 64% of the assessed value of property in the Harbor Area is within the Port's boundaries.

For the utility users tax, the Harbor Area's relatively high projected revenue per capita reflects the City of Los Angeles' comparatively high tax rate. The City of Los Angeles utility users tax for electricity service is approximately 10% of electricity charges (12.5% for commercial users); for gas, the tax is 10% of gas charges. This compares to a tax rate on gas and electricity use of 6.5% in Torrance, 9% in Pomona, and a 1.5% rate for commercial users in Irvine (Irvine does not tax residential utility use).

The Harbor's estimated revenues per capita are relatively low for sales tax and transient occupancy taxes. This is particularly true for sales tax: Irvine, the city with the highest sales tax revenue per capita in the survey, generates more than five times as much sales tax per capita than that estimated for the Harbor Area. The Harbor's low sales tax revenues, the lowest per capita of any city included in this survey and significantly lower than Los Angeles as a whole, reflect the relatively low level of taxable sales that take place within the Harbor's proposed boundaries.

Police and Fire Service Expenditures

Moving from measures of aggregate city revenues and expenditures to spending on particular services, the cities in this survey once again display significant variances in the amount of spending per capita. As shown in the table below, expenditures per capita on police services vary from a high of \$334 in the City of Los Angeles to \$126 in Carson. Carson, it should be noted, is the only city in the survey that contracts for all police services. The other cities have their own police departments.

The police expenditure and personnel data demonstrates two important points. First, expenditures per capita on police services by the City of Los Angeles are relatively high when compared to the other cities in this analysis. This relatively high level of spending occurs both in the city as a whole and, to a somewhat lesser extent, within the Harbor Area. The second important point is that the data reveals a direct relationship between the level of spending per capita and the number of sworn police officers providing services. The City of Los Angeles, by spending \$334 per capita on police services, can afford one sworn police officer for every 401 city residents. Garden Grove, which spends only \$170 per capita on police, has only one sworn officer for every 1,013 residents.

**POLICE SERVICES EXPENDITURES AND NUMBER OF PERSONNEL
FISCAL YEAR 2000-01**

<u>City</u>	<u>Total Police Budget</u>	<u>Per Capita Police Budget</u>	<u>Police Personnel, Sworn</u>	<u>Total Police Personnel</u>	<u>Ratio of City Population to Sworn Personnel</u>
Torrance	\$ 40,592,621	\$ 294	248	348	556
Irvine [1]	29,669,381	207	N/A	255	N/A
Carson [2]	11,344,529	126	N/A	N/A	N/A
Pomona	25,642,473	172	178	312	840
Garden Grove	27,119,800	170	163	235	1,013
Los Angeles [3]	1,234,632,341	334	9,220	12,643	401
Harbor Area [4]	44,969,753	306	335	459	438

[1] - Data was not available for the City of Irvine's combination of sworn and civilian personnel.

[2] - The City of Carson contracts with the County of Los Angeles for police services.

[3] - Personnel figures are average actual sworn and civilian personnel for 2000-01, as estimated by the Los Angeles Police Department.

[4] - Personnel figures are estimated based on the actual average sworn and civilian personnel for 2000-01 for the entire police department. These figures indicate that the department deployed 8.4% fewer sworn personnel and about 7.5% fewer overall than the number authorized in the 2000-01 budget. To estimate the actual number of personnel serving the Harbor in 2000-01, it was assumed that the same percentage difference between actual and authorized personnel existed in the Harbor Area as in the city as a whole.

The same pattern of widely varying expenditures per capita across cities occurs for fire services. Torrance, once again, spends the most per capita (\$182), with the low figure being \$75 in Garden Grove. And while the amount of data available is more limited, there is once again a direct relationship between per capita spending and the number of sworn personnel providing services. Within the Harbor Area, in which it is estimated that spending on fire services is \$267 per capita, the City of Los Angeles is able to deploy one sworn fire officer for every 536 residents. And Garden Grove, which spends only \$75 per capita, can afford only one sworn fire officer for every 1,686 residents.

**FIRE SERVICES EXPENDITURES AND NUMBER OF PERSONNEL
FISCAL YEAR 2000-01**

<u>City</u>	<u>Total Fire Budget</u>	<u>Per Capita Fire Budget</u>	<u>Fire Personnel, Sworn</u>	<u>Total Fire Personnel</u>	<u>Ratio of City Population to Sworn Personnel</u>
Torrance	\$ 5,115,791	\$ 182	162	181.6	852
Irvine [1]	N/A	N/A	N/A	N/A	N/A
Carson [1]	N/A	N/A	N/A	N/A	N/A
Pomona [1]	15,435,293	103	N/A	N/A	N/A
Garden Grove	12,410,300	75	98	103	1,686
Los Angeles [2]	449,204,365	122	3,149	3,486	1,173
Harbor Area [2] [3]	39,302,160	267	274	305	536

[1] - The Cities of Carson and Irvine contract for fire services with their respective counties, and neither city's budget documents provide expenditure figures for fire services. The City of Pomona also contracts for county fire service, but its annual budget document does provide fire expenditure figures.

[2] - Division of department personnel into sworn and civilian based on department's 1999-00 organization chart.

[3] - The budget figures for spending on fire services in the Harbor Area include spending on services provided to the Port of Los Angeles. For fire services provided in 2000-01, the Port of Los Angeles paid the City of Los Angeles Fire Department \$13,175,957. Net of this reimbursement for services provided to the Port, spending on fire services in the Harbor Area outside the boundaries of the Port was \$26,126,203, which amounts to \$178 per capita.

Implications for Harbor Area City Feasibility and Service Levels

The data on comparable cities provided in this analysis has several implications for the potential feasibility of a Harbor Area city.

- Based on cities with comparable populations, the City of Los Angeles provides the Harbor Area with a relatively high level of expenditures for services, in terms of general fund spending per capita, and for both police and fire services. In fiscal year 2000-01, expenditures for police services in the Harbor Area were the second highest per capita of all other city in this survey, the only city with higher per capita expenditures being the City of Los Angeles as a whole. And for fire services, expenditures in the Harbor Area were higher than in any other city, including Los Angeles as a whole.
- Compared to the comparable cities in this analysis, the Harbor generates a significant amount of general fund revenue. It is estimated that a Harbor City would have generated nearly \$102 million, or \$694 per capita, in general fund revenues in fiscal year 2000-01. This is the third highest per capita of the cities in this survey – behind Torrance (\$868 per capita) and the City of Los Angeles as a whole (\$794 per capita). The Harbor Area's revenue base appears relatively strong with respect to property, utility users, and business taxes.
- When considered in light of the relatively high level of expenditures for services the City of Los Angeles currently provides to the Harbor Area, the Harbor Area's capacity to generate as much or more general fund revenue than several of the comparable cities in this analysis has important implications for the potential fiscal viability of any future Harbor City. At least based on its ability to generate general fund revenue, a new Harbor City could potentially be fiscally viable – that is, it could afford to

provide key city services if it were to keep its general fund expenditures at a level comparable to other cities in this analysis, such as Irvine or Carson. To do this, however, a new Harbor city would have to spend less in general funds per capita for services than is currently spent by the City of Los Angeles.

- Finally, the analysis of the police and fire services provided by the cities in this survey suggests that there is a relationship between per capita spending and service levels. The data shows that cities which spend more per capita on police and fire services are able to afford more sworn officers per capita. All else being equal, it is reasonable to assume that a larger number of sworn officers per capita generally results in a higher level of service. An important implication for a new Harbor city is that if it must reduce spending on these and other services to avoid a budget deficit, it is possible that the Harbor will experience at least some reduction in service levels from the current level of services provided to the Harbor Area by the City of Los Angeles.

City of Los Angeles Response

The City of Los Angeles has devoted substantial resources to respond to the conclusions in the IFA and the Final Proposal. The City has responded in two primary documents, a report by the City Attorney dated June 15, 2001 addressing legal issues, and a report by the Department of Administrative and Research Services (OARS) office dated July 19, 2001 addressing implementation issues. (The OARS report also contains a copy of the June 15, 2001 City Attorney report.)

The OARS report raises the following issues regarding the IFA and Final Proposal:

- Raises serious questions regarding the apparent preliminary finding that the new Harbor City would not be fiscally viable;
- Focuses on calculating current service levels to the Harbor instead of savings accrued by the City of Los Angeles as a result of departure of the Harbor;
- Is not currently Revenue Neutral;
- Does not provide adequate fiscal protection for both the new Harbor city and the remainder of the City of Los Angeles;
- Contains factual errors;
- Contains numerous assumptions which will propagate negative fiscal, legal and operational impacts on the new Harbor city and the remaining City of Los Angeles; and
- Does not substantively address employee issues.

Of the findings made by the City, of particular importance to the preparation of a CFA are the assertions that the special reorganization would not be revenue neutral, and that the proposed new city may be fiscally viable. Both assertions are contrary to the preliminary conclusions in the IFA.

Summary and Analysis of City Response

Each of the City's substantive findings are restated and evaluated in the sections that follow.

Revenue Neutrality

The City has asserted that the apportionment of City staff contained in the IFA would result in a negative service level impact for the remaining City of Los Angeles. The negative impact would be caused from an excessive apportionment of City staff to the new city, leaving the City with a shortage of personnel that must be made-up through additional hiring. The excessive apportionment purportedly occurs because:

- Certain functions within the City are not divisible and would not result in a reduction in workload upon a transfer of service responsibility to the new city.

- The number of personnel transferred to the new city is based on percentages that are "rounded up" to the nearest integer.

The City estimates that rounding up results in the over-allocation of 98 positions to the new city that should remain with the City of Los Angeles.

The City argues that, in the event of a Harbor area special reorganization, the number of transferring staff and other resources assumed in the IFA would leave the City incapable of providing services at current levels in the remaining City of Los Angeles. This would, according to the City, force either a reduction in service levels or additional hiring, neither of which is revenue neutral. In making this argument, the City's premise is that a Harbor special reorganization would reduce only slightly, and for some City functions not at all, the staffing required to provide services to the remaining City of Los Angeles.

If the Harbor becomes a new city – taking with it approximately 150,000 people that make up 4% of the City's current population – the remaining workload confronting City departments would decrease across the range of municipal operations.⁷ Empirical evidence that compares a city's population and the number of city staff demonstrates that a positive correlation exists between the two. That is, smaller cities have less city staff.

If the City is to make a convincing argument that certain service needs would not be reduced in the event the City's citizenry were to decrease, it would need to show how its "units of output" (i.e., the work it produces) would remain unchanged in the event the Harbor incorporates. Because the City has not provided such data, it is difficult to substantiate the argument that the City's workload would not decrease.

Nevertheless, this CFA does not contain the assumption that any City employees would transfer to the new city during its first three years of incorporation, as the City would provide services on behalf of the Harbor. Therefore, it is not expected that the special reorganization, as described in this report, would require the City to hire additional staff to replace those transferred to the Harbor.

Fiscal Viability

The City's assertions about the fiscal viability of a proposed new Harbor city appear contradictory. In the "Executive Summary" section of the OARS report, the City argues that "question arise" about the accuracy of the IFA's finding that the new Harbor City would not be financially viable. The City states that "inflated expenditures from rounding errors" in the apportionment of staff result in an incorrect finding, and that the Harbor City may in fact be financially viable. However, in the section on "Fiscal Viability", the City argues that a new Harbor City may not be financially viable because the new city may incur "start-up" and "transition" costs, which were not considered in the IFA.

The City's concerns are based on the presumption that its employees would become employees of the new city, and that its assets would need to be

⁷ The exceptions, of course, are those City operations related to providing services that the City would continue providing to a new Harbor City. This includes, for example, services provided by the Department of Water and Power and the wastewater portions of the Bureau of Sanitation.

divided or reconfigured to provide for separate usage by both cities. The CFA does not assume that either City employees would transfer to the new city, or that any City assets are divided or reconfigured. Therefore, the City's concerns over the fiscal viability of the new city may not be relevant to the scenarios presented in this report.

Division of the City of Los Angeles Debt

In its response to the IFA and Final Proposal, the City has made the finding that the division of certain types of debt between the City and new Harbor City is not revenue neutral. The rationale being that the debt service expenditures allocated to the Harbor are underestimated, and that the impact on the City's fiscal health and credit rating was not evaluated. In addition, the City has stated that insufficient information was provided in the IFA to assess the impact of the Harbor secession on City bondholders.

An analysis for the various categories of City debt (e.g. general obligation, lease revenue) is provided below.

General Obligation Bonds, Assessment Bonds, and Special Tax Bonds

The IFA assumed that the City's general obligation, assessment, and special tax bond debt service would continue to be secured by all parcels within the current City boundaries, regardless of the location of those parcels, in the event of a Harbor special reorganization. The new Harbor City would not be liable for payment of debt service, only parcels within the new city.

The City has stated that this methodology is revenue neutral.

Judgment Obligation Bonds

The IFA allocated judgment obligation bond debt service based on the proportion of employees transferred to the new city. The City believes the debt should be divided based on the loss in General Fund revenue, as this method "would most closely approximate revenue neutrality."

The City has asserted that dividing the liability based on the ability to pay ensures that the City's debt service burden is not disproportional. That is, if the liability is divided in an amount less than the amount of lost General Fund revenue, the City's relative payment for debt service would be increased, which would negatively impact the remaining city.

The Government Code is clear in that the new city would continue to be liable for the City's debt; however, LAFCO appears to have some latitude in determining precisely how the liability would be divided. Under the base scenario described in this report, the new Harbor City would pay all of its revenue to the City for the provision of services, and the City would not have less revenue to pay debt service. It will therefore be assumed in the CFA that the new city's share of judgment obligation debt service will be based on the number of City employees (identified in a purchase of service agreement) that serve the Harbor.

General Fund Lease Obligations and Certificate of Participation

The IFA allocated MICLA lease obligation and certificate of participation debt service based on the location of the project which was debt financed. The City believes the debt should be divided based on the loss in its General Fund revenue, which "would most closely approximate revenue neutrality."

The City has asserted that dividing the liability based on the ability to pay ensures that the City's debt service burden is not disproportional. That is, if the liability is divided in an amount less than the amount of lost General Fund revenue, the City's relative payment for debt service would be increased, which would negatively impact the remaining city. However, given the base scenario assumption that the new city would transfer all its revenue to the City for payment of services, the City would not experience a relative increase in its debt service requirements. It will therefore be assumed in the CFA that the new city's share of lease obligation and certificate of participation debt service will be based on the number of City employees (identified in a purchase of service agreement) that serve the Harbor.

Another issued raised by the City is that it must retain beneficial use of the MICLA property in order that it can continue to make lease payments to support the tax-exempt debt issued for that property. The City can sublease the property, but the lease must remain an obligation of the City. Therefore, if the new city were to require use of a MICLA financed property in the Harbor, it would likely need to sublease the property from the City. However, given it is assumed in the CFA that the new city would not, as a condition of the Harbor incorporation, receive any assets from the City, the use of debt financed facilities does not appear to be an issue.

Collection of Debt Service from the New City

In addition to the allocation of liability, the City has raised the concern that a definitive process for collecting revenue from the new city should be identified to evaluate whether bondholders would be adequately protected. The City has stated that it should be provided a revenue source comparable to its existing sources, and consideration must be given to the existing bond covenants.

In order to allocate the liability to the new city, it does not appear necessary to amend existing bond covenants, or replace outstanding City debt with debt of the new city. If the City's debt continues to be secured by substantially the same revenue sources, then this would likely be sufficient to protect existing bondholders.

For the City's general obligation, assessment, and special tax bonds, a tax is levied on the property tax roll for parcels within the City. Payment is made to the County of Los Angeles, which in turn transfers funds to the City for payment of debt service. In the event of a Harbor special reorganization, the County could continue to collect the debt service taxes for parcels in the Harbor and could submit payment to the City. All administrative costs incurred by the City and County would continue to be assessed proportionally to all parcels. If parcels within the Harbor were delinquent in their payment, the City would have the same recourse as any other parcel in the City, and could, at some point, initiate foreclosure proceedings. It is assumed that this process for collecting general obligation, assessment, and special tax bond debt service would be set in place as part of the terms and conditions of the Harbor incorporation.

For the City's judgment obligation and MICLA lease bonds, payment of debt service is currently made through a General Fund appropriation. Upon a Harbor special reorganization, the City could continue to pay the entire debt

service payment, but could be paid by the new city for its respective share. Payment from the new city could be deducted from revenues collected by the City. It is assumed in the CFA that the City would continue to collect a significant amount of municipal revenues on behalf of the new city and would pass-through any excess revenue after making the contractual services payment. Under this process of netting debt service payments from Harbor revenues, it would appear that bondholder's rights would not be substantially impaired. It is therefore assumed that LAFCO would require the City, as part of the terms and conditions, to reduce the pass-through of revenue to the new city after payment of debt service.

Employee Relations Issues

The City has raised several issues regarding the protection of existing employee rights in the event of a transfer of employees to a new Harbor City. Issues raised by the City include identifying the pertinent employment conditions that currently cover City employees, identifying how compliance with the existing employment conditions would be enforced, selecting employees to transfer in light of the "meet and confer" requirement, and evaluating the impact on pension and retirement benefits.

In the event of a transfer of City employees, many of the concerns raised by the City may need to be addressed by LAFCO as part of the evaluation of the Harbor proposal. However, because it is assumed that no City employees would transfer to the new city during the first three years of incorporation, many of these issues do not need to be addressed as part of the CFA.

Information Technology

The City has determined that the IT-related costs it would incur in attempting to transfer service responsibility to the Harbor are underestimated in the IFA. That is, the costs that would be incurred by both cities are underestimated in the IFA. The City's Information Technology Agency (ITA) and its consultant believe that the costs would exceed the amount estimated in the IFA, although they do not provide an alternative estimate of these costs.

Given that it is assumed in the CFA that the City would continue to provide services to the Harbor, a transfer or duplication of the City's IT infrastructure would not occur, and both cities would not require significant IT investment during the planning period of this report. Nevertheless, the City of Los Angeles may choose to modify its current applications or invest in new applications to perform certain accounting and contract administration functions on behalf of the Harbor. However, it is assumed that the City could perform these functions without substantive IT investment.

The new city would require some IT investment, including desktop applications for its administrative staff, and this amount has been provided in the new city's budget (see section "Financial Viability of New City – Harbor City Costs - Non-Departmental Costs").

Apportionment of Non-Debt Liabilities

The City has raised concerns that the transition of certain "non-debt liabilities" be addressed so that the future cash flow impact relating to the division of these liabilities can be made for the City of Los Angeles and new city. The liabilities include workers' compensation, settlement of court claims, and salary-related accruals.

The impact of the division of workers' compensation and salary-related accruals is not addressed in the CFA, given the assumption that no employees would transfer to the new city during the first three and one half years of incorporation.

The division of liability for the settlement of court claims was addressed as part of the IFA, where it was assumed that the Harbor would pay the City a proportion of the City's budgeted amount. It is assumed in the CFA that the new city would be liable for an amount equal to the proportion of City employees that work on behalf of the Harbor City as part of a purchase of service agreement.

Apportionment of Assets

The IFA assumed that City assets within the boundaries of the new city that are necessary for the delivery of services, would be transferred to the new city at no cost. The City has raised the concern that a "space needs" assessment is necessary to determine whether both cities could operate without additional facilities. In addition, the City has stated that the IFA does not address deferred maintenance costs and how those costs would be divided.

An analysis of space needs for both cities is not necessary as part of the CFA given the assumption that all services would be provided by the City during the first three and one half years of incorporation. Because the City would continue to own its facilities, the City can rely on its existing owned and leased facilities to provide any services to the Harbor. Annual capital and operating costs, including deferred maintenance costs, for City facilities are identified in this report (see section "Appendix II: Cost of Purchased Services") in order that the costs allocable to the Harbor can be determined.

Contracting for Service with the City of Los Angeles

The City has raised the concern that LAFCO may not have the legal authority to require the City to continue to provide the service to the Harbor. In addition, the City has stated that the IFA does not include all of the potential costs involved in providing contractual services to the Harbor including those related to negotiating the service contracts and amendments, coordinating with unions, and billing and tracking. The City is also concerned about the allocation of liability related to service provided by contract, service priority between the two cities, the term of the contracts, and notification requirements in the event of a termination.

The issues raised by the City are heightened given the assumption in the CFA that the City would provide virtually all services to the Harbor. Many of the City's concerns would need to be addressed in setting the terms of a purchase of service agreement. These terms are expected to be the subject of negotiation between the two cities. However, in order to prepare the CFA, certain assumptions must be made regarding the terms of a purchase of service agreement so that the fiscal impact of such an agreement can be evaluated. A detailed discussion of the potential terms of a purchase of service agreement and the expected additive costs to be incurred by the City is provided in section "Financial Viability of New City - Harbor City Costs - City of Los Angeles Purchased Service."

It is assumed in this report that the two cities would initiate a purchased service arrangement, as it is likely that the City would continue to provide municipal services until such time as a feasible transfer of assets and personnel can be negotiated, or an alternative service provider can begin service in the Harbor.

Regional or Joint Governance

The City has stated in its response that LAFCO does not have the authority to form regional authorities as described in the applicant's Final Proposal, or any other reorganized governmental entity, as a condition of reorganization. In addition, the City has stated that the IFA does not provide sufficient analysis and/or information to assess the financial viability of joint organizations.

The IFA did not propose or assume that any joint organization would be created as a condition of the Harbor incorporation. In fact, it was found in the IFA that the creation of a joint organization prior to the election on the question of a Harbor area special reorganization was not feasible. It was assumed in the IFA that the City of Los Angeles would continue to own and operate the existing wastewater, water, and power systems, and would provide service to the Harbor on contract. This assumption has been used in the CFA.

Compliance with Accounting and Auditing Standards

The City has stated that the costs of accounting for the City and new city are understated in the IFA. The City has also stated that the IFA does not identify all of the accounting applications that must be modified in the event of a Harbor special reorganization, does not identify a plan to modify the City's software to account for the activities of two separate cities, and does not identify the costs to purchase and/or install a financial management system for the new city.

A detailed plan must be in place upon the incorporation date for the new city to account separately for the new city's revenue and expenditures. Under the assumption that virtually all services are contracted from the City, the new city would have a substantially less burdensome accounting requirement than the City of Los Angeles. The new city would nevertheless need to account for its minimal staffing and capital requirements, a large, but uniform contractual service payment, a mitigation payment, and its municipal revenues.

Accounting Standards and Financial Management

The City has expressed concern that the "mixing" of revenues and expenditures for the City of Los Angeles and the new Harbor city would violate accounting standards set by the Government Accounting Standards Board (GASB), as well as the standards that constitute Generally Accepted Accounting Principles (GAAP). A possible consequence of not meeting these standards, argues the City, is that the City's bond and credit ratings could be negatively impacted.

Both GASB and GAAP set accounting standards with respect to "measurement focus" and the "basis of accounting." Standards on "measurement focus" address what is counted in the financial statements and why; standards related to the "basis of accounting" address when and how transactions are recorded. Currently, GASB and GAAP require governmental funds (e.g., the general fund, special revenue funds) to use

what is known as “Flow of Current Financial Resources” as a measurement focus and “Modified Accrual” as the basis of accounting. For proprietary/commercial activities, GASB and GAAP requirements for measurement focus and basis of accounting are, respectively, “Flow of Economic Resources” and “Full Accrual.” It does not appear that GASB or GAAP principles specifically address the issue of whether it is permissible for the revenues and expenditures of two separate municipalities to be “mixed” – that is, for one of those municipalities to account for some or all of the revenues and expenditures of both of them. As long as all standards related to measurement focus and basis of accounting are maintained, the envisioned form of revenue and expenditure “mixing” does not appear to pose an inherent conflict with either GASB or GAAP.

In this light, the plan outlined in the CFA – that the City of Los Angeles would continue performing the accounting functions for the new Harbor City consistent with terms agreeable to both parties – could be implemented in two ways. First, the City of Los Angeles could attempt to modify its basic financial information systems (e.g., FMIS, payroll) prior to the effective date of any Harbor special reorganization. This would allow the City to contemporaneously identify the geographic source of revenues and the geographic target of expenditures. The other option would be for the City of Los Angeles to distinguish its revenues and expenditures from those of the Harbor “retroactively” – that is, after it has received the revenue or made the expenditure. To implement such retroactive accounting procedures, the City could, for example, estimate on a monthly or even yearly basis the amount of revenues and expenditures for which it and the Harbor were responsible, subject to any terms negotiated between the two cities as to how such an estimate would be made.

On balance, it appears that the “retroactive” accounting approach outlined above is preferable. This approach would relieve the City of Los Angeles of the need to make major modifications to its financial information systems. Avoiding the need for such modifications seems particularly advantageous given that the Harbor City may attempt to develop the resources to perform its own accounting and financial functions. Once the Harbor assumes these functions, the City of Los Angeles, were it to make major modifications to its financial and accounting systems, would be left with systems capable of distinguishing revenues and expenditures between it and the Harbor city, without a need for systems with this capacity.

Cash Flow

The City has stated that the cash flow impact of a Harbor special reorganization has not been adequately addressed, and any relevant issues should be worked-out in advance of the determination of the applicant's proposal.

Specifically, the City has concerns in the following areas:

- The process and rules for allocating municipal revenue after the incorporation date of the new city must be identified, given the complexity involved in collecting and distributing revenues.

- The payment method for reimbursement of contractual services that has been proposed by the applicant is not fair, and the City should be paid monthly.
- A process for the repayment of loans from the City's reserve and special purpose funds should be identified.
- The impact of "cashing out" City employees that transfer to the Harbor must be evaluated.

The relevance of the revenue issues raised by the City is dependent on the assumed process for allocating revenues among the cities. If the City is assumed to provide all municipal services on behalf of the new city, including revenue collection and accounting, the City could retain all revenues attributable to the Harbor as payment of contractual services. Alternatively, the City could periodically transfer an estimated amount to the Harbor, and reconcile the estimate at year-end.

It is assumed in this report that the City would collect all Harbor revenues that are not paid directly to the new city, and would retain all amounts for payment of City-provided contractual services. This process would ensure that the City is immediately paid for its services, and would reduce the costs that would result from the continual transfer of funds between the two cities.

The assumption that the City would continue to provide services on a contractual basis also addresses the City's concerns over the cost of "cashing out" employees, which would not need to be addressed until the two parties reach a mutually agreeable transfer of City employees.

Response to LAFCO Revenue Analysis

The City has made a finding that the IFA contains "erroneous methodologies" in the apportionment of revenues to geographical region. Specifically, the City has found that the following methodologies should be used:

- Gas Franchise income should be distributed based on Gas Tax Revenues.
- Documentary Transfer Tax revenues should be distributed based on property value and property sales data.
- Grant receipts should not be distributed geographically.
- High Rise Inspection Fee revenues should be distributed based on building square footage.
- Older American Act and HOPWA grants would not accrue to the new city.
- Street Lighting Maintenance Fund revenues should be split based on data provided to LAFCO on February 14, 2001.

Analysis of each of the City's recommendations is provided in the sections that follow.

Gas Franchise Income

To estimate the geographic distribution of gas franchise income in the City, the IFA used the geographic distribution of cable franchise income as a proxy. The City has stated that the methodology is inaccurate because the gas franchise is a function of both the miles of main within the City and the amount of natural gas sales, and bears no relation to cable facilities.

The City has two distinct categories of "gas-oil" pipeline franchise fees. A franchise fee collected on the single franchise agreement between the City and the Southern California Gas Company, and the franchise fees collected on roughly 36 other existing franchise agreements with numerous firms with pipelines in the City that convey oil and other substances.

Under the City's single franchise agreement with Southern California Gas Company, the franchise payment the City receives from the Gas Company is 2% of the value of gross sales of gas within the City. This franchise agreement with the Gas Company produced approximately \$13.8 million in revenues in fiscal year 2000-01.

The franchise fee revenues related to the approximately 36 franchise agreements between the City and various firms with pipelines in the City are based on the physical components of the pipeline and associated conveyance system. In general, the fee paid to the City consists of a base rate per lineal foot of pipeline within the franchised area, and often this base rate increases as the diameter of the pipe becomes larger. According to City budget documents, the combined revenues from all the franchise agreements in this category were less than \$1.8 million.

In the IFA, cable franchise income was used as a proxy measure to estimate gas franchise revenues, in lieu of an estimate from the City or actual data. As discussed in section "Financial Viability of New City - Harbor City Revenue," actual gas users' tax information has been obtained from the Gas Company, and this revenue is used to estimate the allocation of gas franchise income in the CFA.

Documentary Transfer Tax

The IFA used population to estimate the distribution of the documentary transfer tax revenue in the City. This proxy measure was used because no data regarding the location of property sales within the City were available for the IFA. The City has stated in their response that population is an inaccurate method to estimate Documentary Transfer Tax revenues.

The City was unable to estimate the geographic distribution of the tax, as usable data were not available from the County. The County provides data in microform for the entire county, and no separate data for the City or data in electronic form were available. Subsequent to the City response, data on actual real estate transactions has been compiled by LAFCO, and this estimate is used in the CFA. (See section "Financial Viability of New City - Harbor City Revenue - Estimated Share of Existing City Revenue - General Fund Revenue - Documentary Transfer Tax.")

Licenses, Permits, Fees and Fines - Grant Funded Related Costs

In the IFA, the Grant Funded Related Costs revenue item was allocated to the Harbor based on the total number of employees transferred to the new

city. These revenues are related to various entitlement grants received by the City, including CDBG, HOME, and HOPWA. In the absence of data from the City's Revenue Analysis, employees were used as a proxy measure to the actual amount of work that City forces performed. This City has stated in its response that these revenues should be distributed based on the geographic distribution of the entitlement grant.

The City's proposed methodology appears sound, and this approach will be undertaken as part of the final CFA, if data regarding the geographic distribution of entitlement grants is available from the City.

Licenses, Permits, Fees and Fines - Fire Department - High-Rise Inspection Fee

The City charges a fee for the inspection of high-rise buildings with six or more floors or buildings higher than 75 feet. The fee is calculated as .0084 cents per building square foot and .0042 cents per square foot of parking area. The IFA used the proportion of "office buildings" as a proxy measure in lieu of actual data from the City. The City has stated that the actual amount collected in the Harbor should be used instead of the number of office buildings, given the fee is computed on building square footage and not the number of buildings.

The City's proposed methodology is sound, but requires data from the City on the actual amount of fee revenue collected in the Harbor. Such data has been requested by LAFCO, but has not yet been provided by the City. Until the data is available, it is assumed that the allocation of High-Rise Inspection Fee revenue is based on the proportion of office buildings in the Harbor.

Older Americans Act Fund

The IFA allocates Older American Act (OAA) funds based on a City Funding Formula involving the demographic make-up of various areas within the City. Upon the incorporation of a Harbor City, federal OAA funds the City of Los Angeles currently provides to the Harbor area would be redirected to the County. (The County of Los Angeles receives Older American Act funds on behalf of many cities within the County, and provides funding for eligible projects within those cities.) Upon receiving these redirected funds, the County would then be responsible for distributing OAA funds in the Harbor. It is likely that the County would use contract organizations (e.g., non-profits) to actually deliver services in the Harbor area, as this is how the County currently conducts the program in most areas it serves.

Because the County would administer Harbor area OAA funds (in the event of a Harbor area special reorganization) and not the new city, it is assumed in this report that the Harbor would not be allocated any OAA special purpose fund revenues.

Street Lighting Maintenance Assessment Fund

To estimate the geographic distribution of Street Lighting Maintenance Assessment revenues, the IFA used the location of Street Lighting offices as a proxy measure. Although the City has provided the actual amount of assessment revenue collected for fiscal year 2000-01, by assessor parcel number and by "City BPP," the accounts were not geo-located and apportioned to the Harbor City are part of the IFA.

The data provided by the City is currently being geo-located by LAFCO, and an estimate of the number of accounts within the boundaries of the Harbor City had been expected as part of the final CFA. The data ultimately received was not sufficiently complete to allow for a more detailed analysis of the geographic distribution of these revenues.

Housing Opportunities for Persons with AIDS (HOPWA)

The City has made the finding that a new Harbor City would not receive an allocation of HOPWA funds, as these funds are distributed only to the largest city in a county. These funds were budgeted at \$267,150 for fiscal year 2000-01.

As part of the CFA, no HOPWA funds are assumed allocable to the Harbor.

Disaster Assistance Trust Fund

The City has stated that the revenue from the Disaster Assistance Trust Fund represents the reimbursement of expenditures from previous years, and would not be received by the Harbor City. This amount is shown as a negative amount in the City's fiscal year 2000-01 Budget.

For the purposes of the CFA, this budget item is not allocated to the Harbor.

Affordable Housing Trust Fund

The City has stated that the Affordable Housing Trust Fund is missing from the Special Purpose Funds list, and that additional information is needed to determine whether this fund is properly accounted.

The Affordable Housing Trust Fund was not apportioned to the Harbor City as part of the IFA, because the receipts from this fund are not included in the City's Budget. This fund is apparently supported from a General Fund appropriation and "off-budget" revenues, and neither the receipts nor the appropriations for this fund are identified in the City's budget.

Harbor Gateway

An issue raised by the City that was not addressed in the IFA is that, if the Harbor area incorporates, the City will need to address the Harbor Gateway land (the narrow strip of land connecting the Harbor area to the rest of the City of Los Angeles). Specifically, the City is concerned with how the Harbor Gateway area would continue to receive services in the event of a Harbor special reorganization. Would the City of Los Angeles continue to provide services, and if so, how effectively could the City provide these services?

The CFA assumes that the City, in addition to providing all services to the Harbor City for at least three years after incorporation, would also retain ownership of all City-owned facilities located in the Harbor. The City could therefore continue utilizing these facilities to provide services to the Harbor Gateway area.

Conclusions and Recommendations

In its response to the Final Proposal, the City has made the finding that the Harbor special reorganization would not be revenue neutral, and it appears the City questions the IFA's finding that the Harbor city would not be fiscally viable (although in various sections the City, as discussed herein, seems to

state that it in fact agrees with the IFA's finding regarding fiscal viability). Upon review of the City's findings and in light of the assumed method of providing service to the Harbor, the CFA has made the following determinations:

- The City found that the Harbor incorporation would not be revenue neutral because the City's workload would not decrease in proportion to the number of City employees transferred. However, because a transfer of City employees is not assumed to occur as part of a Harbor special reorganization, the City would not lose employees to the new city.
- The City questioned the IFA's finding that the Harbor would be fiscally viable given that many potential "start-up" costs were not identified in the IFA. However, many of the costs identified by the City resulted from a specific plan to divide or duplicate the City's existing assets. Because City assets would not need to be divided if the City provides service on behalf of the new city, the potential start-up costs would not be incurred.

Appendix II: Cost of Purchased Services

Cost of Purchased Services

This appendix provides a detailed description of the various services provided by the City of Los Angeles, and identifies the composition and location of staff throughout the City. The staffing analysis is used to estimate the level of service provided to the Harbor area, which, in turn is used to estimate the cost of providing the service. It is assumed in this report that the estimated cost of providing service on behalf of the Harbor would be paid by the new city, either through a "transition period" or subject to the terms of a "purchase of service" agreement with the City of Los Angeles.

Cost Allocation Methodology

The cost of providing service to the Harbor is estimated primarily based on the location of City personnel. As part of the LAFCO "Seven-Step" process, the City has provided to LAFCO its organization charts, position descriptions, and staffing plans to assist in identifying the location of its staff throughout the City, and their assigned function. City personnel that are located in the Harbor are presumed, for the most part, to provide service to the Harbor. City personnel that are not physically located in the Harbor area, but who may provide service to the Harbor, can be identified through an analysis of the functional organization charts of the various City departments.

Other Direct Services

Some direct City services are not located in the Harbor, even though these services provide a direct benefit to the Harbor. Many City services are centrally located but contain staff dedicated to the Harbor. In these instances, an attempt has been made to determine the functional organization of the centralized City service and identify personnel dedicated to the Harbor. If no such allocation of personnel exists, then an analysis of the workload of the particular City service has been undertaken to estimate the level of service provided to the Harbor.

Indirect Support Services

Other services provided by the City do not directly serve the residents and businesses of the City but exist primarily as a support to other City departments. These services include General Services, City Clerk, Administrative and Research Services, Controller, et al. An allocation of indirect support services to the Harbor can be made based on the total number of City employees serving the Harbor, population of the Harbor, or total level of City expenditures paid by the Harbor.

Vacant Positions

The CFA allocates the number of staff from each department between the City and the Harbor based on the number of authorized positions for that department, as specified in the fiscal year 2000-01 budget. In some departments, there is a difference between the number of positions authorized in the budget, and the number of positions actually filled for that fiscal year. This difference is due primarily to the existence of positions that are authorized but "vacant". Vacant positions are those that the budget authorizes for that fiscal year but remain unfilled at the time the City Council adopts the budget. Depending on the department, some or all of the vacant positions may be filled during the course of the fiscal year.

Because some city departments – perhaps most notably, the Police Department – contain vacant positions, the number of positions allocated to the Harbor includes some number of positions that were vacant when the budget was adopted. However, the cost of these vacant positions are not included in the CFA's allocation of staffing costs to the Harbor. This is because the CFA's allocation of staffing costs is based on the City's budgeted expenditures for staffing. The City's budgeted expenditures for staffing reflect the City's assessment of what actual staffing costs will be for that fiscal year, as opposed to the costs that would result from the number of positions authorized in the budget for that fiscal year. By using the City's budgeted expenditures as the basis for its staffing allocation, the CFA's allocation of staff to the Harbor does not include the costs associated with vacant positions.

City Workload Data Submittals

For some departments, the City submitted workload or workload-relevant data to provide information on the kinds of services a particular department performs, the level of service the department provides, and where in the city these services are provided. Where possible, the CFA utilized this data to assist in allocating service costs to the Harbor. For several reasons, however, some of the workload data provided by the City could not be utilized in the CFA. First, some of the workload data applied only to a portion of particular department's activities or services, thus providing an incomplete picture of the full range of department functions. Second, for some data there was no way of associating that data with actual department operations or staffing deployments as depicted on department organization charts. Finally, in some cases the data's accuracy could not be verified, or some data on department operations appeared to conflict with other data.

Budgetary Departments

The various City departments for which the budget is controlled by City Council are referred to as “budgetary departments.” Those departments that have control of their own funds are discussed in section “Other Departments.” Certain budgeted expenditures made by the City that are not associated with a specific department are discussed in section “Non-Departmental.”

Expenditures related to the Los Angeles Convention Center and Zoo Department are not assumed apportioned to the proposed Harbor City, given the Los Angeles Convention Center and Los Angeles Zoo are not within the proposed boundaries of the area of special reorganization, and are not included in this analysis.

Administrative and Research Services

The Office of Administrative and Research Services (OARS) is the chief financial advisor to the Mayor and City Council.¹ OARS conducts studies and investigations, carries out research, and makes recommendations on City management matters. OARS assists the Mayor and City Council in the preparation of the City budget and plans and directs the development of work programs and standards. It represents the management of the City in negotiating all labor contracts, administers the City's debt management program, and coordinates application for federal and state grants and claims for disaster relief. OARS also provides support for the Quality and Productivity Commission and performs other duties required by the Mayor and City Council.

Distribution of Service Within the City

OARS generally performs internal City services, which are conducted at two offices located on the 6th and 15th floors of City Hall East. OARS also provides direct public service at the Public Information Desk located on the 2nd floor of City Hall East. Information Desk staff provide assistance, both in-person and telephonically, to individuals who need general information about City Hall and the offices located therein.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from OARS. Such an apportionment could be accomplished by allocating the cost of department personnel that, as of fiscal year 2000-01, provide services to the Harbor. The number of department staff that provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor.

The Department is comprised of five divisions, the functions of which are described in the table below.

OFFICE OF ADMINISTRATIVE RESEARCH SERVICES INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Mgmt. and Exec. Support	Responsible for managing the department.
Budget and Capital Programming	Comprised of five groups that provide services to the City related to finance, budgeting, and debt administration.
Management Services	Comprised of six groups that provide review and analysis related to grants management, various departmental budgets, disaster grants, and departmental and interdepartmental IT and communication services. It is also responsible for the City's Risk Management Program and provides staff support for the Quality and Productivity Commission.
Employee Relations	Responsible for labor relations, oversight and enforcement of the City's Living Wage, Service Contract Worker Retention and Equal Benefits Ordinances.
Office Services	Responsible for the Department's Accounting, Payroll, Personnel Services, Word Processing and Records sections.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 4.5 positions provide service to the Harbor. This estimate is based on the fiscal year 2000-01 budget, and on a total of 118 positions in the department. A special reorganization would thus result in the costs of 4.5 positions, or roughly 3.8% of the department's staff, being allocated to the new Harbor City.

¹ Subsequent to the preparation of the fiscal year 2000-01 Budget, the name of the department has changed to the "City Administrative Officer."

**OFFICE OF ADMINISTRATIVE RESEARCH SERVICES
ALLOCATION OF WORKLOAD AND STAFF**

<u>Unit</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management and Executive Support	Proportion of employees	8	.25
Office Services	Proportion of employees	15	.50
Information Center	None-provides services to individuals calling or visiting City Hall	1	-
Budget and Capital Programming	Proportion of citywide employees	30	1.25
Management Services	Proportion of citywide employees	44	1.75
Employee Relations	Proportion of citywide employees	20	.75
Total		118	4.50

The methodology used to estimate the number of positions providing service to the Harbor is as follows. The Management and the Office Services Divisions primarily support the activities of the department's other divisions. Their staffing is therefore a function of the total number of department staff, and the apportionment to the Harbor of this division's staffing costs is based on the proportion of department staff from all other divisions allocated to the new Harbor City.

The Information Desk portion of Offices Services would be apportioned geographically. Because the Information Desk primarily serves individuals visiting City Hall or those calling to acquire information about City Hall, the staff dedicated to the Desk should remain under control of the City. The new Harbor City would need to hire an individual to staff its Information Desk, should a special reorganization occur and if such a position desired.

The Budget and Capital Programming Division is comprised of five groups that provide services to the City related to finance, budgeting, and debt administration. The majority of these groups provide services to a select group of City departments as well as services that have citywide application. For example, the Finance Group is responsible for coordinating the development of revenue and supporting documentation for the annual budget, for monitoring actual revenues and expenditures during the fiscal year, and for providing periodic financial status reports to the Mayor and Council. The Group also has specific budget responsibility for the Office of Finance, City Clerk, General City Purposes, the Unappropriated Balance, and the Reserve Fund. Given the wide scope of internal support services provided by this Group as well as others in the division, it appears reasonable to assume that the division serves the Harbor based on the proportion of employees citywide whose costs would be allocated to the new Harbor City.

The Management Services Division is comprised of six groups that generally provide review and analysis related to grants management, budget review services, disaster grant administration, and departmental and interdepartmental IT and communication services. The division is also responsible for the City's Risk Management Program and provides staff support for the Quality and Productivity Commission. Most of the division's groups provides services to a wide selection of City Departments and/or provides services that have citywide application. For example, the Proprietary Departments Analysis and Disaster Grants Group is responsible for financial and budgetary analysis for the Personnel Department and the City's proprietary departments. This Group is also responsible for Disaster Grants Administration and coordinating the printing of the Mayor's proposed and Adopted Budgets. Given the wide scope of internal support services provided by this Group as well as others in

the division, it too appears reasonable to apportion staffing costs from this division using the proportion of employees citywide whose costs would be allocated to the new Harbor City.

The Employee Relations Division is responsible for representing the City's management in relations with employee representatives pertaining to economic or citywide issues, advising departments on salary, organizational and contract matters, and for the oversight and enforcement of the City's Living Wage, Service Contract Worker Retention and Equal Benefits Ordinances. These services are a function of the number of citywide employees. The division's staffing costs can therefore be apportioned using the proportion of employees citywide whose costs would be apportioned to the new Harbor City.

The department also has budgeted for the cost of a small number of "as needed" Administrative Trainee positions. A proportional amount of the cost of these positions are assumed allocated to the Harbor City in the same percentage as the number of budgeted positions allocated.

Non-salary personnel expenditures are also estimated based on the proportion of employees serving the Harbor.

Contractual Services

The department contracts with outside vendors for specialized services generally including but not limited to revenue report application maintenance, Automated Budget System maintenance, annual maintenance of BRASS software and other BRASS-related services, graphics, auditing of outside legal bills, retirement and employee benefit studies, and employee fact-finding and arbitration. For fiscal year 2000-01 OARS budgeted \$539,475 for contractual services. The costs of contractual services are allocated to the Harbor City purchase of service agreement based on the proportion of department employees allocated to the Harbor.

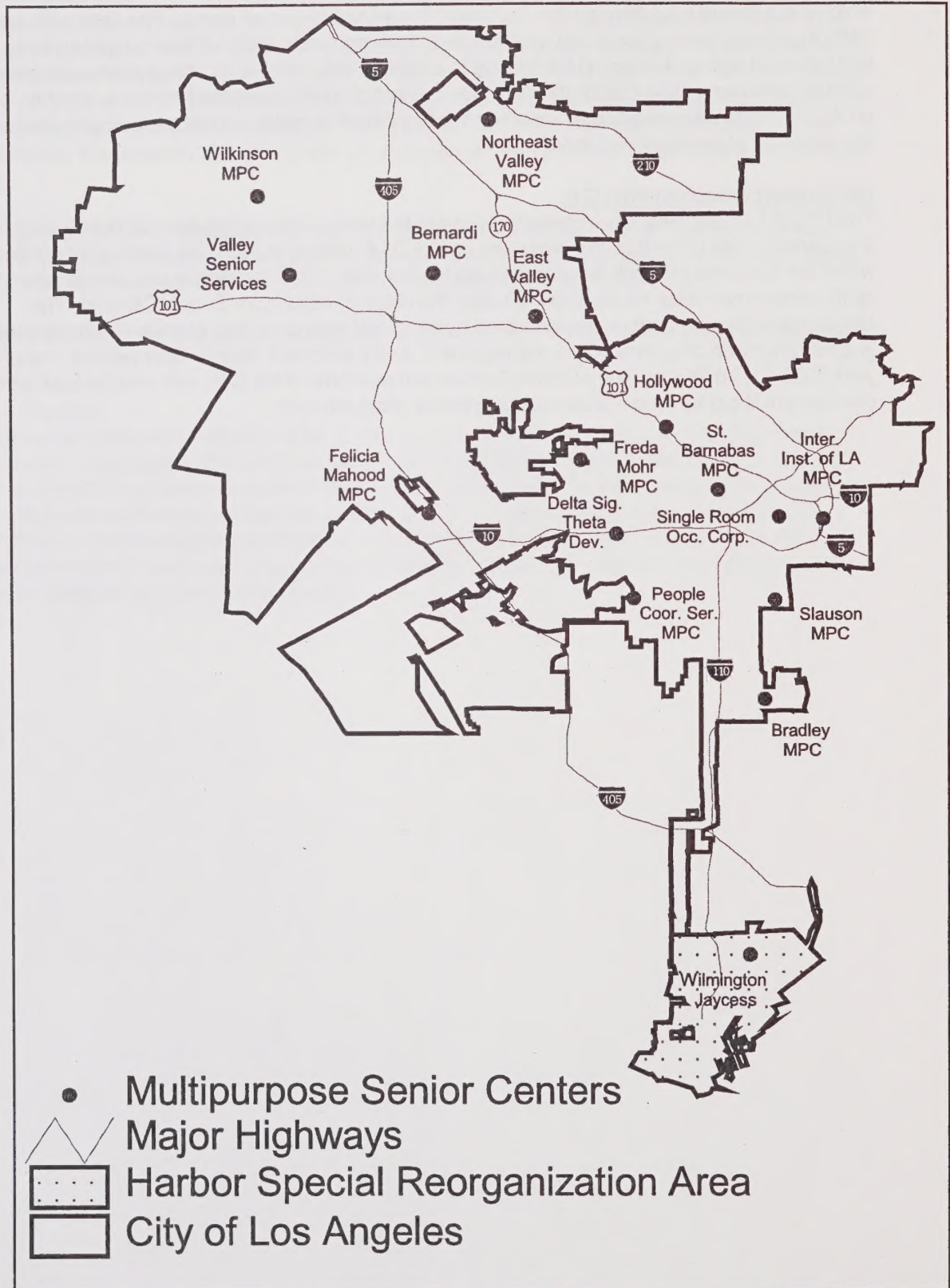
Aging

The Department of Aging manages the City's Senior Citizen activities. The department's primary function is managing the federal Older Americans Act (OAA) and the Older Californians Act (OCA), which are administered through the California State Department of Aging. The OAA was enacted in 1965 to provide funding for social, employment, transportation, and nutrition programs for persons sixty years of age and older. OAA funding is allocated to California for designated uses based on the number of seniors. The California State Department of Aging allocates funding to local Area Agencies on Aging (AAA) within the State, including the City of Los Angeles, which are primarily responsible for the provision of service to seniors.

Distribution of Service within City

The City of Los Angeles, simultaneously designated as the Area Aging Agency (AAA) and a Planning and Service Area (PSA 25), manages the use of OAA funding in 15 Aging Service Areas (ASAs) within the City; one of which is located in the Harbor area. OAA funding is used for services managed by the department that are available through the City's Multipurpose Senior Centers. The Multipurpose Senior Centers are operated by non-profit agencies, and provide direct services including nutrition programs, case management, and paratransit door-to-door service. As of fiscal year 2000-01, 16 Multipurpose Senior Centers are available in the City, with one located within the boundary of the proposed Harbor area of special reorganization.

City of Los Angeles Multipurpose Senior Centers



In addition to the services available at the Multipurpose Senior Centers, the Department of Aging centrally manages and operates direct programs including the Emergency Alert Response System (EARS), which involves the distribution of medical monitoring equipment, and a job training program for low income residents who are 55 and older.

All City-employed department staff are located at City office space in the Mid-Wilshire area of Los Angeles. Including the direct services described above, department staff administers the OAA funds from the State, manages contracts with the Multipurpose Center non-profit agencies, and provides for direct administrative support of the Department of Aging.

Cost of Service

Most department services in the Harbor area are provided directly through the operation of a Multipurpose Senior Center. In the event of a Harbor special reorganization, the City of Los Angeles would lose the portion of its OAA funding attributable to the Harbor, as these federal funds are allocated based in part on the number of seniors in the City. The lost OAA funding would be redirected to the County of Los Angeles. In order for the Harbor City to receive OAA and OCA funds, it would need to be designated as a PSA. To be designated as a PSA, the Harbor City would need to be approved as such by the California Department of Aging, as set forth in the California Code of Regulations. It is not assumed in this analysis that the Harbor City would be designated as a PSA or would otherwise receive OAA funds.

Because the County would receive OAA funding which would have been paid to the City of Los Angeles prior to the special reorganization, it is assumed that the County would assume responsibility for OAA-funded services in the Harbor. Therefore, the current City staffing cost associated with the programming and administration of OAA funding is not allocated to the Harbor. Certain services would, however, continue to be provided by the City on behalf of the Harbor. An estimate of the number of department staff that provide services to the Harbor can be made based on the proportion of workload or demand for the services in the Harbor area.

For fiscal year 2000-01 the Department of Aging has budgeted 48 positions, all of which are located in City office space at 2404 Wilshire Boulevard in the City of Los Angeles. The department is organized into four divisions (excluding Management). The table below summarizes the primary functions of each division.

DEPARTMENT OF AGING INTERNAL DIVISION FUNCTIONS	
<u>Division</u>	<u>Function</u>
Management	Fiscal and personnel administration; program planning.
Planning, Public Affairs, Community Education & Outreach Division	Contractor selection; analysis of State legislation; State reporting.
Contract Development, Program Management & Technical Assistance Division	Develops and monitors contracts with non-profits; compliance with federal, state, and city regulations.
Administrative & Financial Support Services Division	Administers grants and departmental operations.
Direct Services Division	Provides information to seniors; operates EARS program; Senior Employment Program.

Based upon an analysis of the functions of each division, position descriptions, and workload indicators, an estimate of the proportion of each departmental division providing service to the Harbor area can be made.

Department personnel costs within the Planning, Public Affairs Division and Contract Development Division are not allocated to the Harbor, although these personnel provide service to the Harbor, because of the uncertainty over the provision of OAA and OCA funds to a new Harbor City.

The number of staff of the Direct Services Division that work for the benefit of the Harbor area is estimated using a City Funding Formula (CFF). The CFF is used to allocate OAA funds to the ASAs in the City and appears to reflect the service needs of seniors. The CFF applies a 20 percent weight to the number of seniors age 60 or above, a 30 percent weight to the number of frail seniors (those 65 or older needing mobility assistance), a 25 percent weight to the number of low income seniors (60 or above at or below the federal poverty line), and a 25 percent weight to the number of seniors that are minorities.² Since 1987, the CFF has been used to ensure the City meets the OAA mandate that funding distribution match the number of seniors within each ASA. Based on the demographic profile of the Harbor area, 4.21% of OAA funds accrue to it using the CFF. This percentage is used to estimate the number of personnel in the Planning, Contract Development, and Direct Services Divisions that provide services for the benefit of the Harbor area.

The proportion of the Management Division and Administrative & Financial Support Services Division that would be allocated to the Harbor City is based on the percentage of total department employees serving the Harbor.

**DEPARTMENT OF AGING
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Funded Off-Budget</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	4		-
Planning, Public Affairs, Community Education & Outreach Division	Not allocated	8		-
Contract Development, Program Management & Technical Assistance Division	Not allocated	11		-
Administrative & Financial Support Services Division	Proportion of employees	18		-
Direct Services Division	City Funding Formula	7	4	.25
Total		48	4	.25

Based on this analysis, the cost on .25, or .52% of the department staff should be apportioned to the proposed Harbor City upon special reorganization.

² City of Los Angeles, *2000-2001 Update to the 1997-2001 Planning and Service Area Plan*, p. 71.

Animal Services

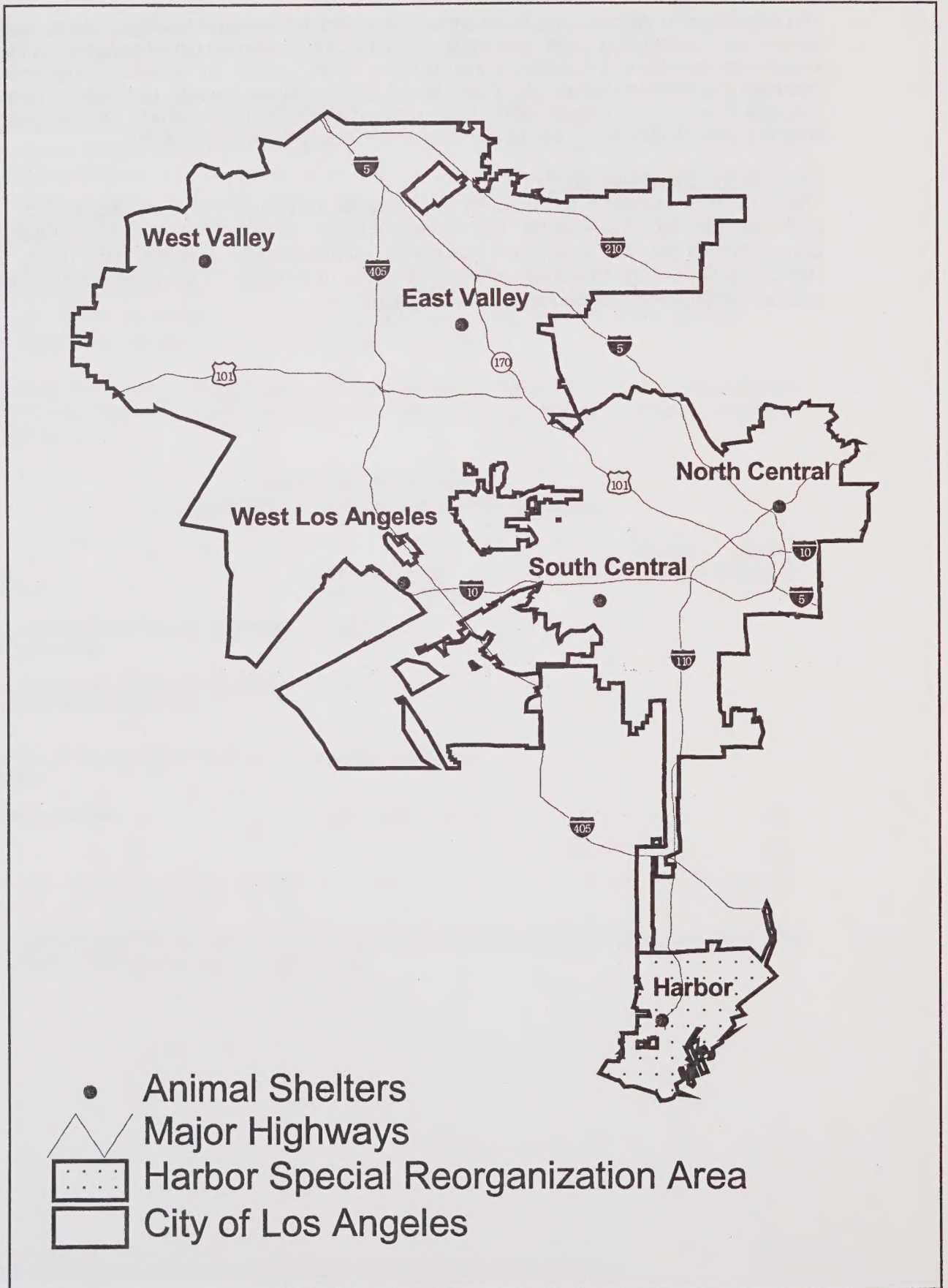
The Department of Animal Services enforces all laws and ordinances regulating the care, custody, control, and prevention of cruelty to animals within the City. In carrying out these functions, the department operates and maintains animal shelters, issues permits, and conducts inspections for the operation of animal establishments. It also issues dog and equine licenses, participates in the County's rabies control program, offers educational services, and conducts administrative hearings to resolve problems concerning dangerous animals and dogs that bark excessively.

Distribution of Service within City

The department provides a majority of its direct services through six animal shelters located throughout the City of Los Angeles. One of these shelters, the Harbor Animal Care and Control Center ("Harbor Shelter"), is within the boundaries of the Harbor special reorganization area. The Harbor Shelter is in San Pedro and serves all or part of 10 zip codes. A map identifying the location of each animal shelter is provided on the following page.



City of Los Angeles Animal Shelters



Each of the department's six animal shelters manages pet adoption and veterinary services that include the treatment for sick, injured or stray animals. The shelters care for pets that are sick, injured, aged, or have behavior problems and are turned in by their owners. In addition, the shelters respond to reports of dangerous animals, dog barking problems and cases of animal cruelty. They also provide animal traps for cats, dogs, opossums, raccoons, and squirrels.

Several direct services the department provides are not administered through any of the six animal shelters. These include dog license issuance and renewal, door-to-door collection of delinquent license fees, and special permitting. The License Issue and Renewal section employs 10 administrative positions and is responsible for processing the 250,000 transactions and requests the department receives annually. The door-to-door collection of delinquent license fees is handled by an outside vendor and requires the efforts of nearly two full-time administrative positions. The Permits Section of the department is staffed by one full time Senior Animal Control officer and makes approximately 900 public contacts per year, collecting \$50,000 in permits and fees.

Department personnel providing direct services are located both at the animal shelters and at the Administrative Offices at 419 South Spring Street. The department's direct administrative support personnel are also located at the downtown Administrative Offices. In addition, the department has five commissioners who help determine departmental policy.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Department of Animal Services. Such an apportionment could be provided by allocating the costs of staff that, as of fiscal year 2000-01, provide services to the Harbor.

The number of department staff that provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor area. For fiscal year 2000-01 the Department of Animal Services has 242 authorized positions (this number excludes the department's five commissioners). The department is divided into six divisions, the functions of which are described in the table below.

DEPARTMENT OF ANIMAL SERVICES INTERNAL DIVISION FUNCTIONS	
<u>Division</u>	<u>Function</u>
Management	Responsible for overall department management and oversight.
Personnel Services	Responsible for department personnel matters.
Administrative Services	Provides secretarial and clerical support, disseminates public information, oversees budget preparation, and performs several other tasks.
Field Operations	Provides for enforcement of laws relative to care, treatment and impoundment of animals, investigates nuisances created by animals, conducts inspections of animal establishments.
Animal Care	Manage and operate the City's Animal Shelters.
Veterinary Medical Services	Provide professional veterinary medical services to animals in City shelters.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 19.75 positions

currently provide service to the Harbor. A special reorganization would thus result in the cost of 19.75 positions, or roughly 8.2% of the department's current staff, being allocated to the new Harbor City.

**DEPARTMENT OF ANIMAL SERVICES
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	6	.50
Personnel Services	Proportion of employees	4	.25
Administrative Services	Proportion of employees	26	2.25
Field Operations	Proportion of employees	27	2.25
Animal Care	Location of personnel/facilities	152	12.5
Veterinary Medical Services	Location of personnel/facilities	27	2.00
Total		242	19.75

The methodology used to estimate the number of positions providing service to the Harbor is as follows. For both the Animal Care and the Veterinary Medical Services Divisions, the estimate is based on the location of City facilities and personnel. All the personnel in these two divisions are located at the department's six animal shelters. The positions deemed to be providing services to the Harbor area are the proportion of those staff currently located at the Harbor Shelter that provide service within the Harbor special reorganization area. Because the Harbor Shelter's extends beyond the Harbor special reorganization area and includes the strip of City land known as the "Harbor Gateway", an estimate was made that roughly 81% of the staff at the Harbor Shelter provide services to the Harbor special reorganization area.

For personnel in the Field Operations Division, the estimate of the number of positions providing services to the Harbor is made on a "proportion of employees" basis. The Field Operations Division provides its dog license issuance and renewal and special permitting services citywide, and it generally does not administer these services through the department's six animal shelters. Due to the citywide nature of the Division's services, and because the department does not compile geographic workload indicators that show specifically where the Division carries out its services, it is necessary to use an alternative measure to estimate the number of Division employees providing services to the Harbor. The measure used is the number of employees at the Harbor Shelter as a percentage of the number of employees located at all six animal shelters. This percentage, 8.5%, is multiplied by the number of positions in the Field Operations Division, 27, to calculate an estimate of roughly 2 positions providing services to the Harbor. The key assumption underlying this estimate is that the distribution of animal shelters and the personnel located in these shelters provide a reasonable indicator of the department-wide deployment of resources to different areas in the City.

For the Management, Personnel Services, and Administrative Services Divisions, the estimate of the number of positions providing services to the Harbor is made on a proportion of employees basis, in which the cost of staff allocated to the Harbor in these divisions would remain proportional to current staffing in these divisions. The key assumption underlying this estimate is that these divisions' personnel provide administrative and managerial support to the rest of the department, and that these support services are distributed proportionately across each departmental division.

In fiscal year 2000-01, the department has also budgeted for 4 "as needed" positions. A proportional amount of the cost of these positions are assumed allocated to the Harbor City in the same percentage as the number of budgeted positions allocated.

City of Los Angeles
Department of Building and Safety Offices

Non-salary personnel and equipment expenditures are also estimated at the departmental average per budgeted employee.

Contractual Services

The department's only use of contractual service is for the collection of delinquent license fees. The fees are collected by door-to-door canvassing for approximately 17,000 new and renewal licenses per year. The fiscal year 2000-01 City of Los Angeles budget appropriates \$123,000 for contractual services. For the purposes of this analysis, it is assumed the new Harbor City would also contract for the collection of delinquent license fees. The amount of expenditures for the Harbor City contractual services is estimated at 8.2% of the fiscal year 2000-01 amount expended by the City. The 8.2%, which represents the proportion of City staff located in the Harbor, is an estimate of the level of service needs in the Harbor.



Building and Safety

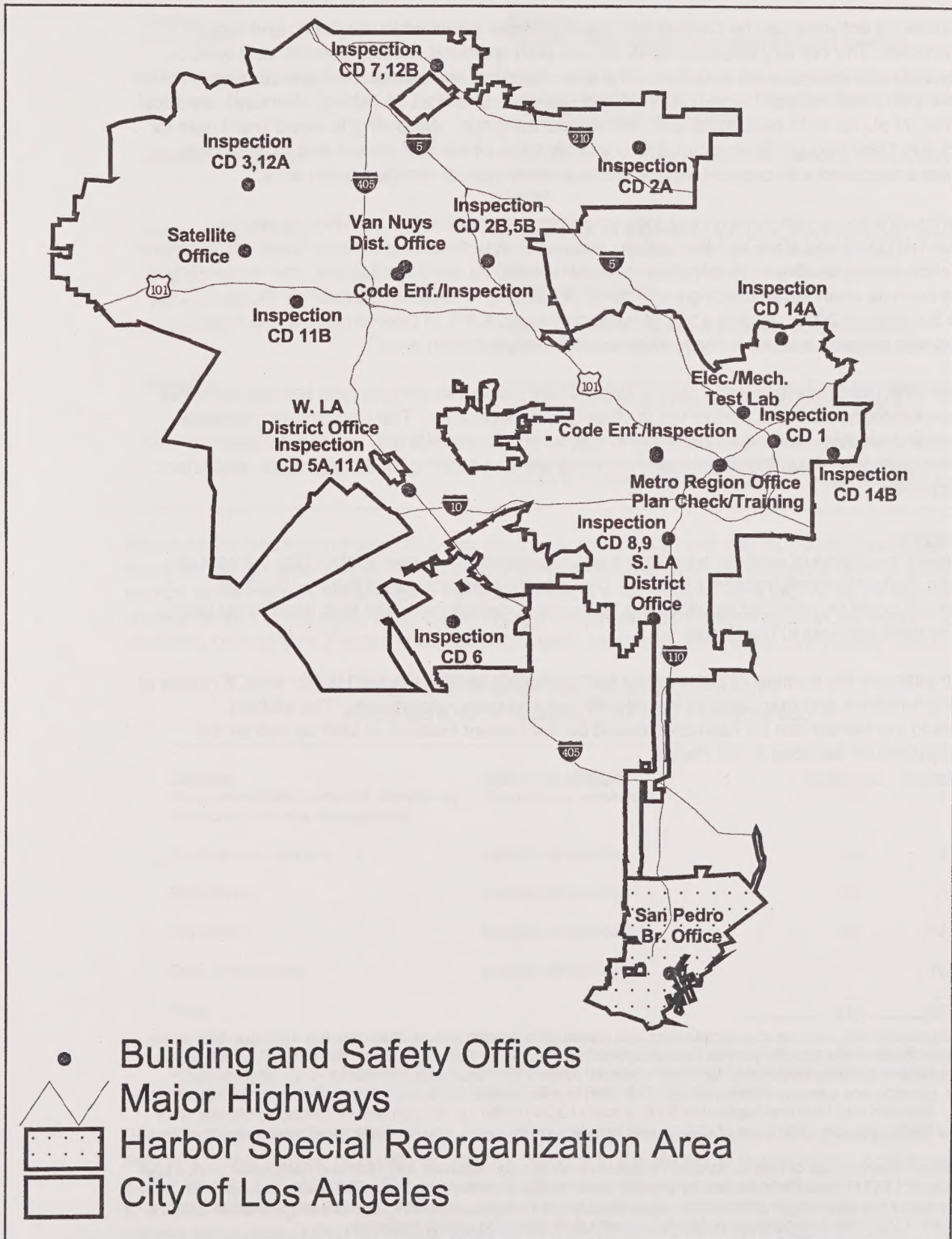
The Department of Building and Safety regulates all building construction in the City. This includes conducting construction-related plan checks, issuing construction-related permits, and inspecting new and existing structures to ensure these structures comply with local and state laws. The department also conducts in-house staff training and ongoing testing of construction materials and devices.

Distribution of Service within City

The department provides direct services through 22 offices located throughout the City. Of these 22 offices, five are District Offices that are open to the public and provide comprehensive services; ten offices focus solely on new construction inspection; and the remaining offices offer various services depending on the particular office. The department's headquarters – the Metro District Office – is located in downtown Los Angeles at 201 N. Figueroa Street. In addition to offering comprehensive services to the public, the Metro District Office houses the department's centralized administrative and technical support personnel. A map of all department offices is provided on the following page.

City of Los Angeles

Department of Building and Safety Offices



As of fiscal year 2000-01, one of the department's 22 offices, the San Pedro Branch Office, is within the boundaries of the proposed Harbor special reorganization area.

The department's activities can be divided into direct services provided to the public and indirect support services. The primary direct services include plan checking, issuing permits, and various inspection and code enforcement activities. The plan checking and permit issuance function involves department staff examining all construction-related plans: mechanical, plumbing, structural, electrical, fire/sprinkler, et al., for both residential and commercial buildings. According to department data for the period July 1998 through September 2000, roughly 5.0% of permits issued and 4.0% of plan checks were associated with projects located in the Harbor special reorganization area.³

The department's inspection function includes inspecting all construction activities to ensure compliance with local and state building codes. Inspection functions also include "code enforcement" activities such as responding to construction-related complaints, issuing citations, and responding to nuisances such as abandoned buildings and cars. According to department data for the period July 1998 thru September 2000, roughly 4.2% of inspections and 6.9% of case investigations were associated with projects located in the Harbor special reorganization area.⁴

Beyond the direct services discussed above, department personnel also perform internal technical and support functions often not performed in other City departments. The department maintains mechanical and electrical testing laboratories to test building materials and investigate new construction methods. Also, the department provides ongoing training for its engineers, inspectors, and management.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Department of Building and Safety. Such an apportionment could be provided by allocating the costs of department staff that, as of fiscal year 2000-01, provide services to the Harbor.

In order to estimate the number of department staff providing services in the Harbor area, a review of the differing functions and mandates of the department has been undertaken. The staffing attributable to the Harbor can be estimated based on the current location of staff as well as the potential demand for services in the Harbor.

³ The "permits issued" data consists of a sample from new construction permits issued. Between July 1998 and September 2000, a total of 16,386 of the 326,266 permits issued citywide were issued for Harbor projects. The types of permits include residential, structural, grading, earthquake, facilities, electrical, public safety, mechanical/plumbing, heating/refrigerator, fire/sprinkler, elevator, and pressure vessel permits. The "plan checks" consist of the regular, appointment, and public counter plan checks. Between July 1998 and September 2000, a total of 3,040 of the 75,182 plan checks conducted citywide were conducted for Harbor projects. The types of plan checks include express permit, structural, electrical, mechanical/plumbing, and grading.

⁴ The "inspection" data consists of new construction inspections conducted. Between July 1998 and September 2000, a total of 46,775 of the 1,117,711 inspections carried out citywide were related to Harbor properties. The "case investigations" data consist of the cases managed by the department's Case Management Section. Between July 1998 and September 2000, a total of 87 of the 1,259 case investigations conducted citywide were related to Harbor properties.

DEPARTMENT OF BUILDING AND SAFETY INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Provides overall department management and oversight.
Government and Community Relations	Responsible for communication and coordination with other City departments; Coordinates Special Inspection Teams (SIT) to oversee economically significant projects.
Development Services	Responsible for checking mechanical, plumbing, fire/sprinkler, elevator, and electrical plans for compliance with City and State codes.
Resource Management	Responsible for administrative support; Also coordinates special investigations, explains disabled access requirements to management, and coordinates the department's emergency preparedness efforts.
Engineering	Enforces building, grading, and zoning; Conducts license examinations and issues licenses for various construction trades.
Inspection	Responsible for enforcement of Municipal Code requirements, and various special projects required by City Council actions.
Code Enforcement	Enforces City's Building Code and land use regulations, focusing on nuisance abatement, problem properties, and investigating code violations on commercial and single family residential buildings.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 38.75 positions provide service to the Harbor. A special reorganization would therefore result in the cost of 38.75 positions, or roughly 4.7% of the department's staff, being allocated to the new Harbor City.

DEPARTMENT OF BUILDING AND SAFETY ALLOCATION OF WORKLOAD AND PERSONNEL

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management/Government & Community Relations/Resource Management	Proportion of employees	145	6.75
Development Services	Location of workload	54	2.50
Engineering	Location of workload	163	7.50
Inspection	Location of workload	286	12.00
Code Enforcement	Location of workload	171	10.00
Total		819	38.75

* Number of positions per division based on the 2000-01 organization chart and excludes ten Commissioners. Discrepancies between the number of budgeted positions for fiscal year 2000-01 and the number of positions on the organization chart were reconciled to match the number of budgeted positions.

For four divisions – Development Services, Engineering, Inspection, and Code Enforcement – the estimate of the number of positions providing service to the Harbor is based on the location of workload. For Development Services and Engineering, the workload attributable to the Harbor was estimated by taking the unweighted average of the percentage of permits issued (5.0%) and plan checks conducted (4.0%) on Harbor projects as a proportion of all such projects citywide. This

average, 4.5%, was then applied to these divisions to estimate the proportion of staff providing services to the Harbor. For the Inspection division, the percentage of citywide inspection conducted on projects located in the Harbor (4.2%) was used to estimate the number of staff providing services to the Harbor. And finally, the proportion of employees in the Code Enforcement division providing services to the Harbor was estimated by applying the unweighted average of the percentage of citywide case investigations (6.9%) and code enforcement actions (4.7%) performed on Harbor projects.

For the department's remaining divisions – Management, Government & Community Relations, and Resource Management – the estimate of positions providing services to the Harbor is made based on the percentage of employees in all other divisions providing services the Harbor. The assumption underlying this estimate is that personnel in these divisions provide support services to the rest of the department, and that these support services are distributed proportionately across each departmental division. Given the small number of positions in the Management and Government & Community Relations Divisions, these divisions were collapsed with the Resource Management Division for purposes of apportioning position costs.

The department has also budgeted for 16 “as needed” Examiner positions. A proportional amount of the cost of these positions is allocated to the Harbor City in the same percentage as the number of budgeted positions serving the Harbor.

Contractual Services

The department's fiscal year 2000-01 budget for contractual services is \$891,720. The department purchases contractual services for fencing and parking validation. It is assumed that the new Harbor City will require similar contract services, and that the cost of these services can be estimated based on the proportion of department staff providing services to the Harbor (4.7%, as calculated above).

City Attorney

The City Attorney is the legal advisor to the City of Los Angeles and represents the City in all civil trials and legal proceedings. The City Attorney assists in developing contracts for City transactions and prosecutes all misdemeanors occurring in the City.

Distribution of Service within City

The City Attorney's office serves the residents of the City directly by prosecuting misdemeanor crimes in the City. The department also supports the City acting as its general counsel. This support function includes representing the City in civil litigation, providing legal counsel for City transactions, and interpreting state and federal laws and regulations.

Criminal prosecutorial services of the department are headquartered at City Hall East. However, a majority of the City's prosecutors and support staff is located at 7 regional offices located at Superior Courts. One such regional office is located in the Harbor area (638 S. Beacon Street, San Pedro). All of the criminal section's "quality of life" programs are administered from downtown offices, with the exception of the Citywide Nuisance Abatement Program (operated from West Los Angeles) and one of the Victim Assistance Program offices located in North Hollywood.

Most department staff members that perform the department's civil and legal support functions, as well as internal administrative services, are located at City Hall East. Staff members providing certain specialized functions (e.g., Housing and Workers Compensation) are located at various downtown Los Angeles office locations. The department's support of the City propriety departments (Airport, Harbor, Water and Power, and CRA) is provided at the headquarters of the respective departments.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the City Attorney. Such an apportionment could be provided by allocating the costs of department staff that, as of fiscal year 2000-01, provide services to the Harbor. The number of City Attorney staff providing services to the Harbor can be estimated based on the current location of staff and on the potential service needs that exist in the Harbor area.

For fiscal year 2000-01 the City Attorney has 826 budgeted positions. The department has numerous internal divisions, and the functions of these divisions are summarized in the table below.

CITY ATTORNEY INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Civil Branch	
Airport	Fully supported by airports and performs all aspects of the law including contracts, anti-trust, bankruptcy and environmental law.
Financial Services	Handles revenue and taxation matters, legal issues involving bonds and insurance, and serves as the legal advisor to the city controller, city treasurer and city budget planners.
General Counsel	Handles negotiating and drafting contracts, serving as legal counsel to city departments and commissions. Handles election, lobbying, conflict of interest, government ethics, and campaign disclosure matters. The Legal Services section gives legal assistance to the Mayor's Office and City Council. The section also prepares ordinances amending the City's municipal and administrative codes and responds to citizen and agency queries on related matters.
Harbor	Represents the Port of L.A. and appears before federal and state agencies on contracts, insurance, admiralty, and administrative law matters.
Housing & Community	Handles commercial and residential development matters involving public funding, is the legal advisor to the city Rent Stabilization Office, and handles issues involving job training and human services.
Labor Relations	Advises and represents in litigation most of the City government in employee relations matters.
Land Use	Is responsible for planning, zoning, building and safety, Coastal Act matters, subdivision and parcel maps, the no-smoking statute, relocation assistance, and rent control areas of the law.
Real Property & Environment	Deals with environmental issues affecting the City, property condemnation, purchases, and sales.
Redevelop. & Housing	Provides legal counsel to the CRA and Housing Authority.
Retirement Services	Provides legal counsel to the Fire and Police Pension system and the City Employee's Retirement System.
Civil Liability	Handles lawsuits against the City for personal injury or property damage.
Police	Provides legal services to the LAPD.
Special Litigation	Handles complex litigation and appellate work.
Water & Power	Handles such issues as groundwater plumbing, water rights, and other litigation to provide and conserve water for the City. Also handles matters on environmental law and regulatory law matters. Funded entirely by DWP.
Worker's Compensation	Deals with all workers' compensation matters involving the city workforce.
Criminal	Focuses on enforcing the laws for the common good of the community and handles all misdemeanor cases in the City. There are specialized units for nuisance abatement, domestic violence, victim assistance, and gang-related cases.
Special Operations	Engages in specialized enforcement in areas of housing enforcement, consumer protection, environmental protection, governmental law and enforcement, AIDS/HIV discrimination, and tobacco enforcement.

Based on the functions of each division, measures of workload and service needs have been identified that can be used to estimate the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 30.0 positions currently provide services to the Harbor. A special reorganization would thus result in the cost of 30.0 positions, or roughly 3.6% of the department's current staff, being allocated to the new Harbor City.

**CITY ATTORNEY
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Office Mgmt. and Mgmt. Services	Proportion of employees	21	.75
Administrative Services	Proportion of employees	32	1.25
Civil Representation			
Airport Division	Staff not allocated	18	-
Financial Services Division	Population in proposed city	27	1.00
General Counsel Division	Proportion of citywide employees	16	.75
Harbor Division	Staff not allocated	13	-
Housing & Community Services Division	Population in proposed city	17	.75
Labor Relations Division	Proportion of citywide employees	9	.50
Land Use/Real Property Division	Population in proposed city	36	1.50
Redevelopment & Housing Division	Proportion of redevelopment acreage in Harbor	11	.25
Retirement & Benefits Division	Proportion of citywide employees	4	.25
Civil Liability Division	Population in proposed city	61	2.00
Police Division	Proportion of Police Dept. staff allocated	67	2.25
Special Litigation Division	Population in proposed city	12	.50
Water & Power Division	Staff not allocated	82	-
Workers' Compensation Division	Proportion of citywide employees	33	1.50
Criminal Prosecutions			
Criminal Operations			
Hill Street Section	Location of employees	32	-
Maria Elena Reyes Section	Location of employees	23	-
Central Trials Section	Location of employees	60	-
Domestic Violence Section	Population in proposed city	28	1.00
Gang/COPE Unit	Proportion of projects located in new city	23	1.25
West Los Angeles Office	Location of employees	23	-
San Pedro Office	Location of employees	11	11.00
CNAP	Proportion of housing stock	36	1.50
Hollywood Office	Location of employees	13	-
Van Nuys Office	Location of employees	49	-
Victim Assistance Program	Population in proposed city	21	.75
San Fernando Office	Location of employees	11	-
Appellate Services	Proportion of total trial workload	6	.25
Automation, Tech., Planning & Res.	Proportion of Criminal Division staff	3	-
Special Operations	Population in proposed city	28	1.00
Department Total		826	30.00

The methodology used to estimate the number of positions providing service to the Harbor is as follows. For the Management and the Administrative Services divisions, the number of positions

providing service to the Harbor is estimated based on the proportion of employees in all of the department's other divisions providing services to the Harbor. The rationale for this estimate is that staff in these divisions primarily support the activities of the department's other divisions.

The Civil Representation section is comprised of 14 divisions. For most of the divisions within this section, it is estimated staff serve the Harbor in proportion to population or the number of employees serving the Harbor.

The Financial Services, Housing & Community Services, Land Use & Real Property, and Special Litigation Divisions are apportioned using the proportion of population in the proposed Harbor City. The functions of each division deal with a breadth of policies and affect a wide cross-section of the population. For example, the Special Litigation Division handles criminal and civil matters in the areas of housing enforcement, consumer protection, environmental protection, governmental law and enforcement, AIDS/HIV discrimination, and tobacco enforcement. These divisions' diverse workloads make it reasonable to apportion staff expenses based on the Harbor area's proportion of the City's overall population.

The General Counsel Division serves as legal counsel to the City's departments and commissions, negotiates contracts, and deals with telecommunications and public utilities litigation. The division also handles election, lobbying, conflict of interest, and governmental ethics and campaign disclosure matters. Given the division's focus on providing legal counsel to the City, its staffing costs can be apportioned based on the proportion of City employees that would serve the new Harbor City.

The Harbor Division provides counsel to the Port of Los Angeles. Given this report's assumption that the City of Los Angeles' Harbor Department will remain the operator of the Port, no costs from the department's Harbor Division would be allocated to the new Harbor City.

The Labor Relations Division advises and represents in litigation most of the City government. With its workload distributed across nearly all City departments, this division can be apportioned based on the proportion of City employees in all departments that would serve the new Harbor City.

The Redevelopment and Housing Division is the legal counsel to the CRA and the Housing Authority. The CRA administers redevelopment projects and revitalization areas throughout the City, and the Housing Authority provides affordable housing primarily to low-income families. Given that both of these departments focus on low-income/distressed areas, staff expenses are apportioned to the new Harbor City based on the proportion of CRA redevelopment and revitalization acreage located in the Harbor area. Roughly 1.6% of the acreage citywide that is part of a CRA redevelopment or revitalization area is located in the Harbor area; thus the same percentage can be used to allocate that portion of the division's expenses to the new Harbor City.

The Retirement and Benefits Division provides legal counsel to the Fire and Police Pension System and City Employees' Retirement system. The division's workload is thus a function of the number of City employees, and these costs can be apportioned based on the proportion of City employees that would serve the new Harbor City.

The Civil Liability Division handles all lawsuits against the City for personal injury or property damage. The division's workload is therefore a function of population and can be apportioned using the Harbor area's proportion of citywide population.

The Police Division provides legal services to the LAPD and can therefore be apportioned using the proportion of LAPD staff that would serve the new city in the event of a special reorganization.

The Water and Power Division handles legal issues such as groundwater plumbing, water rights, and other litigation to provide and conserve water for the City. It also handles matters in environmental law

and regulatory law matters before various energy commissions and agencies. Given this report's assumption that all functions related to water and power would remain within the City of Los Angeles, no staff costs from this division are apportioned to the new Harbor City.

The Workers' Compensation Division deals with all Workers' Compensation matters involving the City's workforce. Therefore, the workload of the division is a function of the number of City employees, and the associated staffing costs can be apportioned based on the proportion of City employees from all departments that would serve the new Harbor City.

Unlike the Civil section, the Criminal section of the department has a workload that is more geographically based. Prosecution and other processing of criminal offenses occur at branch offices throughout the City. Each branch office generally handles cases located in its geographic service area. One such office, the San Pedro Office, is located in the Harbor and will therefore all costs related to staff assigned to this branch would be apportioned to the new Harbor City. The cost of remaining branch offices will be allocated entirely to the City of Los Angeles.

The Domestic Violence Section and Victim Assistance Program deal with criminal incidence citywide. It is assumed for the purpose of this analysis that the service needs in these program areas are distributed evenly throughout the City. Therefore, program personnel costs can be apportioned using the Harbor's proportion of citywide population.

The Gang/COPE unit staff works on several project areas throughout the City. Therefore, the proportion of project areas located in the Harbor can be used to apportion this unit's costs.

CNAP is a multi-agency program targeting abandoned structures and nuisance properties that plague neighborhoods. Given the program's emphasis on structures and properties, one indicator of the division's workload is the distribution of housing in different areas of the City. Expenditures in this division, therefore, are apportioned based on the proportion of the City's housing stock located in the Harbor special reorganization area.

The Appellate Services division handles appeals. Given that appeals are a function of the department's trial workload, this division can be apportioned using the new city's proportion of the department's trial workload.

The Automation, Technology, Planning and Research (ATPR) division handles MIS for the criminal section of the department. The division can therefore be apportioned by using the current proportion of ATPR staff required to provide service to the criminal section. The same proportion of staff would be required to serve the new Harbor City's criminal section.

Non-salary personnel expenditures are also estimated based on the proportion of employees that would serve the new Harbor City.

Contractual Services

The department generally contracts the services of outside counsel for legal expertise. For fiscal year 1999-00, the department contracted \$90,000 for outside legal counsel. These services were paid by the General fund. The department's 2000-01 budget estimates contractual services at \$848,805. The costs of contractual services are allocated to the Harbor City purchase of service agreement based on the proportion of department employees allocated to the Harbor.

City Clerk

The City Clerk's primary responsibilities include certain support functions for the City Council, record-keeping, and the administration of City elections. First, as ex-officio Clerk of the Council, the City Clerk ensures Council-related procedures comply with law, maintains a record of all Council proceedings, and acts as the custodian of official ordinances and contracts. Second, the City Clerk maintains City property ownership records and all official records of the City. Finally, the City Clerk, serving as Superintendent of Elections, selects polling places, approves precinct election officials, and maintains official election records.

Through fiscal year 1999-00, the City Clerk carried out the tax collection activities of the City. Tax collection was transferred to the newly created Office of Finance beginning in fiscal year 2000-01.

Distribution of Service within City

The activities of the City Clerk can be divided into direct services provided to the public and several internal support services conducted for other City departments. The direct services include several functions related to City Council activities, such as preparing public notices (including ordinances) and the City Council meeting agenda. They also include various record-keeping and administrative activities supporting several functional areas. For example, the department maintains a public counter to supply information on City land records to both the general public and other City departments. The department also administers the Citywide Business Improvement District Program, which involves assisting the public with preliminary formation activities, educating proponent groups regarding potential program benefits, organizing and moderating meetings and legislative establishment activities, and dealing with ongoing administrative activities after the district is established. There are currently 25 Business Improvement Districts in the City, of which one is in the Harbor special reorganization area.

A final category of direct services the department provides is the conduct of municipal and other miscellaneous elections in the City. Scheduled elections occur in odd-numbered years and include a Primary Nominating Election in April and a General Election in June. Other special elections can occur at any time at the call of the City Council. This division also conducts elections for other agencies.

All of the direct services provided by the department are available through department staff located in downtown offices at 200 N. Main (City Hall East), 201 N. Figueroa Street, and 700 East Temple.

In addition to providing direct services to the public, the department also provides indirect support services to other departments. These include providing administrative assistance to the Chief Legislative Analyst and the Mayor's Office, and responsibility for administering the General City Purposes budget.⁵ The fiscal year 2000-01 General City Purposes budget provides funding for specific areas within the proposed Harbor City, such as funds for each council district for local services.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the City Clerk. In order to estimate the number of department staff providing services to the Harbor area, a review of the differing functions and mandates of the department has been undertaken. The staffing attributable to the Harbor can be estimated based on the proportion of workload and/or service needs in the Harbor.

For fiscal year 2000-01 the City Clerk has 126 budgeted positions. The department is divided into eight divisions, the functions of which are described in the table below.

⁵ The General City Purposes budget covers appropriations and expenditures that are not chargeable to specific City departments.

CITY CLERK INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Provides overall department management and oversight.
Administrative Services	Responsible for fiscal and personnel operations in the City Clerk's Office, the City Council/Legislative Analyst's Office, and the Mayor's Office; also administers the General City Purposes budget and various special trust funds
Systems	Responsible for the department's information systems, including City-wide systems and election systems.
Creative Services	Designs most ornamental documents presented by the Mayor and Council, assembles and prepares City Seals and special projects.
Records Management	Serves as the custodian of all City records.
Land Records	Maintains a record of all property owners within City of Los Angeles; "Special Assessments" unit administers special voter-approved property taxes and Business Improvement Districts.
Council & Public Services	Prepares legally required publication notices and ordinances, processes all Council files and motions, prepares the Council agenda, and acts as the Council Minute Clerk and Council Voting Clerk.
Elections	Provides for conduct of regular and special municipal elections in the City of Los Angeles.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 5 positions currently provide service to the Harbor. A special reorganization would thus result in the cost of 5 positions, or roughly 4% of the department's staff, being allocated to the new Harbor City.

**CITY CLERK
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	4	.25
Administrative Services	Proportion of employees	18	.75
Systems	Proportion of employees	12	.50
Creative Services	Population	7	.25
Records Management	Population	6	.25
Land Records/Special Assessments	Population	36	1.25
Council & Public Services	Population	32	1.25
Elections	Population	11	.50
Total		126	5.00

The methodology used to estimate the number of positions providing services to the Harbor is as follows. For five divisions – Creative Services, Records Management, Land Records, Council and Public Services, and Elections – the estimate is based on population. It is calculated by multiplying the proportion of the City residents residing in the Harbor – 3.96%⁶ – by the number of positions in each division. Although the Creative Services and Council and Public Services divisions support activities of the Mayor and Council, the Mayor and Council are representatives of City residents, and thus population provides a reasonable indicator of the workload required to support the elected officials. The Records Management and Elections divisions directly serve City residents, and, again, population reasonably reflects the service needs in the Harbor.

For the Land Record division, population is also used to estimate service needs in the Harbor, and is used to determine the staff outlays that would be allocated to the Harbor City as a result of the special reorganization. It should be noted that, among its various functions, the Special Assessments Unit within the division plays an integral part in the City's process of repaying assessment debt.⁷ As further discussed in the section "Legal Issues Affecting Apportionment – Transfer of Legal Liability," it is assumed, for the purposes of this analysis, that the City of Los Angeles would retain full responsibility for the repayment of existing City debt and would require the retention of its existing assessment, collection, and payment staffing to ensure the timely and full repayment of the debt. However, the Special Assessments Unit is also responsible for the administration of the Business Improvement Districts and continued assistance for future debt financings relating to Proposition K funds. These City functions are assumed to remain with the City of Los Angeles and a proportionate share of expenses related to the Special Assessment Unit would be allocated to the new Harbor City as part of the special reorganization.

⁶ Population in the Harbor Area calculated by County of Los Angeles Urban Research Division, based on 2000 Census.

⁷ Outstanding assessment district debt includes the Landscaping and Lighting District 96-1 Assessment Bonds and the MICLA Special Tax Revenue Bonds.

For the remaining divisions, the estimate of the number of positions providing services to the Harbor is made on a "proportion of employees" basis. Position costs are allocated in proportion to the percentage of employees in all other divisions of the City Clerk's office that would serve the new Harbor City.

For fiscal year 2000-01, the department has also budgeted for several "as needed" positions. It is assumed that a proportional amount of the costs for these positions would be allocated to the Harbor City in the same percentage as the amount of budgeted staff serving the Harbor.

Contractual Services

The department contracts for service primarily for assistance in the administration of Business Improvement Districts. For fiscal year 2000-01 expenditures on contractual services totaled \$251,453. An amount equal to the proportion of City Clerk staff that would serve the Harbor is assumed allocated to the Harbor City.

Commission for Children, Youth and Their Families

The Commission for Children, Youth and Their Families administers several City programs aimed at addressing the needs of young people. These programs include the Neighborhood Networks4Kids (NN4K) program and the Youth Council program, both of which attempt to bring together youth throughout the City to develop programs and promote issues relevant to young people. The department also oversees the competitive grant process associated with Proposition K, an initiative approved by Los Angeles voters in 1996 that generates \$25 million annually over 30 years for capital projects aimed at improving neighborhood facilities for the City's children and families. Finally, the department provides childcare services through oversight of the Joy Picus Child Care Center.⁸

Distribution of Service within City

All department staff, both program and support staff, are centrally located at City offices at 333 South Spring Street. Program staff often provides services in the field, however, particularly in administering Neighborhood Networks4Kids and Youth Council activities.

The department's Neighborhood Network4Kids (NNK4) program organizes residents, City personnel, and youth into groups, called "Neighborhood Networks", focused on strengthening their neighborhoods and providing services for youngsters. Neighborhood Networks, while receiving administrative support from department staff, are composed of volunteer members of the community they serve. A Neighborhood Network can take any form a community wishes and carry out a wide range of activities. Often a City facility (e.g., a library) serves as a meeting place for Network Neighborhood members.

The City is attempting to organize Neighborhood Networks in all 15 Council Districts. As of fiscal year 2000-01, eight Neighborhood Networks are functioning across Los Angeles, none of which are located in the Harbor area.

The Youth Council consists of young people chosen by members of the City Council that carry out a range of activities aimed at encouraging youth participation in the community. Youth Council activities take place in all regions of the City. In fiscal year 1999-00 five Youth Council events were held, ranging from a clean-up of the Central Library to an event aimed at increasing awareness of the 2000 Census.

Proposition K, also known as the "L.A. for Kids Program," generates \$25 million each year through an annual real property tax assessment on city residents. These funds are earmarked for capital improvements and maintenance of city parks, recreation facilities, childcare centers, and for the acquisition of natural land. The Commission is administering the open and competitive bid process for Proposition K funds, which is open to non-profit agencies, City departments, and other government agencies. The funding cycle occurs every two years (fiscal years 2000 through 2002 is the second cycle), and projects in all regions of Los Angeles have and expect to continue to receive Proposition K monies.

Finally, the Commission's childcare activities consist of overseeing the operations of the Joy Picus Child Care Center. The Center offers childcare services to all families with infant or preschool children, with priority given to city employees. The Center is located at 111 South Los Angeles Street (City Hall South). The Commission contracts with the non-profit Los Angeles Child Care and Development Council to operate the Center.

⁸ As of the beginning of fiscal year 2000-01, an additional program administered by the Commission was the U.S. Department of Justice "Youth Initiative" Grant, which focuses on issues of juvenile justice. This grant expired in December 2000, and is therefore not considered in this analysis.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Commission. Such an apportionment could be provided by allocating the costs of department staff that, as of fiscal year 2000-01, provide services to the Harbor. The Commission provides services to the Harbor predominantly through programming the use of Proposition K funds for capital projects in the Harbor.

For fiscal year 2000-01 the department has 41 budgeted positions, of which 15 are Commissioners. The Commission has 7 divisions, the functions of which are described in the table below.

COMMISSION ON CHILDREN, YOUTH AND THEIR FAMILIES INTERNAL GROUP FUNCTIONS

<u>Group</u>	<u>Function</u>
Management	Provides overall department management and oversight.
Policy and Planning	Analyzes policy affecting children, youth, and families; administers the Proposition K grant processes.
External/Internal Operations	Responsible for community outreach activities including Neighborhood Networks4Kids (NN4K), the Youth Council, and the Greater L.A. Youth Initiative.
Public Information & Relations	Responsible for event planning, media activities, and intergovernmental/community relations.
Child Care Policy	Responsible for promoting and expanding child care services throughout the City.
Office Services	Provides support for the Commission and office staff.
Fiscal Operations	Provides budget and fiscal oversight.

Based on the functions of each group, measures of workload and service needs have been identified that can be used to estimate the proportion of each departmental group providing service to the Harbor. As shown in the table below, it is estimated that a total of .50 positions currently provides services to the Harbor area. A special reorganization would thus result in the cost of .50 positions, or roughly 1.9% of the department's staff, being allocated to the new Harbor City.

**COMMISSION ON CHILDREN, YOUTH AND THEIR FAMILIES
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	1	-
Policy and Planning	Population	4	.25
External/Internal Operations	Location of services	14	-
Public Information & Relations	Proportion of employees	2	-
Child Care Policy	Proportion of citywide employees	3	.25
Office Services	Proportion of employees	1	-
Fiscal Operations	Proportion of employees	1	-
Total		26	.50

* Number of positions per division based on the 2000-01 organization chart and excludes five Commissioners. Discrepancies between the number of budgeted positions for fiscal year 2000-01 and the number of positions on the organization chart were reconciled to match the number of budgeted positions.

The only direct service the department provides in the Harbor area is the administration of Proposition K grant proposals.⁹ The division within the department responsible for administering these grants is Policy and Planning, and therefore the apportionment of staff applies only to this division. For this apportionment, positions are allocated to the Harbor based on population, with the number of positions allocated adjusted upward to create a viable apportionment, and to reflect the costs of administrative support provided to these direct services. The position is apportioned based on population because it is anticipated that Proposition K grants will be distributed in all geographic areas of the City, and therefore the proportion of City's entire population located in the Harbor area (3.96%) provides a reasonable indicator of the services provided in this area.

The department has also budgeted for a small number of "as needed" positions. A proportional amount of the cost for these positions is assumed allocated to the Harbor City based on the number of budgeted staff allocated.

Contractual Services

The department's fiscal year 2000-01 budget for contractual services is \$110,000. The department contracts for various services, such as copier rentals and miscellaneous professional services. It is therefore assumed the Harbor City would be allocated a proportional share of contractual services expenditures, and that these expenditures can be estimated based on the proportion of department staff deemed to be providing services to the Harbor (1.9%, as calculated above).

⁹ In the first cycle of the Proposition K competitive bid process, grant awards in the Harbor area included \$1,000,000 to San Pedro High School.

Commission on the Status of Women

The Commission on the Status of Women helps women participate in City government and promotes the general welfare of women throughout Los Angeles. The Commission's duties include advising the Mayor and Council on women's issues, investigating problems, and recommending programs that will increase opportunities for women, and performing studies and surveys.

Distribution of Service within City

Commission staff is located at the Commission's downtown Los Angeles offices at 250 East First Street. Several services provided by these staff, however, are carried out in geographically dispersed areas throughout the City. For example, the Young Women at Risk Violence Intervention Pilot Program (YWAR), a school-based preventive intervention program for female youth with social, behavioral, and/or emotional problems, is located at Duke Ellington Continuation High School in Los Angeles and is operated by Commission staff. YWAR attempts to intervene in girls' lives to address factors that increase the risk of delinquency.

The department provides direct services from its downtown offices including trained staff who answer domestic violence, sexual harassment, and gender discrimination phone calls. The department works with shelters in outlying areas of the City and administers programs, which are mandated initiatives by the City Council such as YWAR, the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW), and Domestic Violence. In addition, the department publishes literature and produces an LA Women Talk Show, which airs once a week.

Cost of Service

The estimated cost of providing Commission services in the Harbor is based on the number of department personnel that, as of fiscal year 2000-01, directly or indirectly provide services to the Harbor.

In order to estimate the number of department staff providing services to the Harbor, a review of the differing functions and mandates of the department has been undertaken. For fiscal year 2000-01 the department has 12 budgeted positions, of which 7 are Commissioners. While not formally divided into divisions, the commission's staff can be placed in two categories, as listed in the table below.

COMMISSION ON THE STATUS OF WOMEN INTERNAL DIVISION FUNCTIONS

<u>Division/Category</u>	<u>Function</u>
Management	Provides overall management and supervision.
Staff	Carries out Commission duties and programs.

Given the centralized nature of many of the programs offered by the department, the department's services are generally provided to residents of the City irrespective of geographic location. Therefore, population in the Harbor can be used as a measure of service needs. Using the estimated Harbor population of 3.98%, it is estimated that a total of .25 positions currently provides service to the Harbor. A special reorganization would therefore result in the cost of .25 positions, or 5% of the department's current staff, being allocated to the new Harbor City.

**COMMISSION ON THE STATUS OF WOMEN
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	1	-
Staff	Population	4	.25
Total		<u>5</u>	<u>.25</u>

Contractual Services

The department's fiscal year 2000-01 budget for contractual services is \$8,205. An amount equal to the proportion of commission staff that would serve the Harbor City is assumed allocated to the new city.

Community Development

The department administers the Housing and Community Development Block Grant, Workforce Investment Act Grant, and Community Services Block Grant. In all, it is responsible for the fiscal management of approximately \$200 million in grant funds, which are distributed to approximately 450 contractors. The department also coordinates the development of the City's annual Community Development Block Grant Application, provides grant coordination, recommends allocation of funds by contractual agreements for conducting work experience, classroom and on-the-job training programs, and administers grant-supported social programs and neighborhood development activities.

Distribution of Service within City

The department provides service for the residents and businesses in the City through several different grant-funded programs, as well as through direct referral and advisory services provided by department staff. Community Development Department (CDD) offices are located at 215 W. Sixth Street in downtown Los Angeles. Most of the department's employees work at this location with the exception of three Census Outreach staff located at 205 S. Broadway #620, two employees at the Bradley/Milken Youth and Family Center (1773 E. Century Boulevard, Los Angeles), one employee at Kulick Grant-Watts (1776 E. Century Blvd., Los Angeles), and one employee at 404 South Bixel in Los Angeles.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Community Development Department. Such an apportionment could be provided by allocating the costs of department staff that, as of fiscal year 2000-01, provide services to the Harbor. Since the department's primary function is the administration of grants, the methodology to estimate the Harbor's share of expenditures that would be allocated to it upon a special reorganization begins with the estimated geographic distribution of grant funding. According to the fiscal year 2000-01 budget, the department received 90 percent of its funding from Community Development Block Grants (CDBG) and Workforce Investment Act (WIA) grants. Given that CDBG accounts for nearly 50 percent of the department's funding, the Harbor area's entitlement under the CDBG grant formula is used as an indicator of the Harbor area's proportion of the City's current grant entitlements.

Both the CDBG and WIA grants require that any local agency receiving funds submit and receive approval of a Consolidated Plan or a strategic 5-year local plan. The City's current Consolidated Plan has been approved through 2003. This is an interim document for the period 2000-03 only. The City will submit a full five-year document for the period 2000 through March 30, 2005, with the receipt of Census 2000 data, anticipated in late 2002. Entitlements are calculated and distributed annually. While eligible cities must submit a Consolidated Plan, the entitlement is not affected by the Plan.

The Department of Housing and Urban Development (HUD) distributes CDBG funds based on a formula that weights the total population, the total population of persons in poverty, and the number of persons living in overcrowded housing. Poverty is weighted twice. The table below shows the application of this formula to the study areas and the estimated distribution of CDBG grant funds to the study areas.

CDBG Formula Grant Allocation and Estimated Grant Per Study Area, FY 1998-99

	1990 Population		1990 Poverty		1990 Overcrowding		Estimated Formula Ratio	Estimated Grant
San Fernando Valley	1,211,974	35%	129,435	20%	65,036	24%	25%	\$22,334,344
Los Angeles	2,134,725	61%	488,758	76%	195,440	72%	71%	\$64,382,210
Harbor	138,009	4%	23,211	4%	10,447	4%	4%	\$3,391,218
Total	3,484,708		641,404		270,923		100%	\$90,107,772

Source: City of Los Angeles, *Final Geographic Revenue Analysis for Fiscal Year 1998-99*, February 2000, p. 96.

For fiscal year 2000-01 the Community Development Department has 274 budgeted positions. Based on the functions of each division, measures of workload and probable grant-supported staffing have been identified. The department is comprised of nine divisions, the functions of which are described in the table below.

COMMUNITY DEVELOPMENT DEPARTMENT INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Executive	Responsible for managing department staff.
Human Services	Responsible for human services and family development-related programs, manages funding and the contractors that deliver the programs.
Neighborhood Development	Responsible for the renovation and construction of facilities operated by non-profit community-based organizations and coordinates major repairs to several City-owned facilities. Performs all monitoring associated with contracts established for the provision of these services.
Workforce Development	Administers funding for job training and placement and provides economic development and business assistance services to businesses.
Industrial and Commercial Dev.	Offers direct and indirect financing and technical assistance programs.
Administrative Services	Prepares department's budget, procurement of and payment for goods, environmental reviews, census analysis, public relations, contract administration, records retention, and information services.
Computer Systems	Designs, implements, and supports department's computer systems and other IT services.
Financial Management	Responsible for the fiscal management of grant funds.
Human Resources	Comprised of the Personnel Unit and EEO Compliance Unit, provides the department with human resources-related services.

As shown in the table below, it is estimated that a total of 11, or roughly 4 percent, of the department's staff provide services to the Harbor area. This estimate is based on the fiscal year 2000-01 budget, and on a total of 274 positions in the department.

**COMMUNITY DEVELOPMENT DEPARTMENT
ALLOCATION OF WORKLOAD AND STAFF**

<u>Unit</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Executive	Proportion of employees	3	-
Administrative Services	Proportion of employees	19	.75
Computer Systems	Proportion of employees	8	.25
Human Resources	Proportion of employees	5	.25
Financial Management	Harbor Proportion of CDBG entitlement	31	1.25
Human Services	Harbor Proportion of CDBG entitlement	43	1.75
Neighborhood Development	Harbor Proportion of CDBG entitlement	12	.50
Workforce Development	Harbor Proportion of CDBG entitlement	135	5.50
Industrial and Commercial Dev.	Harbor Proportion of CDBG entitlement	18	.75
Total		274	11.00

The methodology used to estimate the number of positions required to provide community development-related services to the Harbor area is twofold. First, the Executive, Administrative Services, Computer Systems, and Human Resources divisions all provide internal department services. Staffing is therefore a function of the total number of department staff, and personnel expenditures can reasonably be apportioned in proportion to the department's estimated number of employees that would serve the new Harbor City. Next, allocating the cost of personnel required to serve the Harbor area by the remaining divisions is generally contingent upon the outcome of the grant entitlement formulas. According to the CDBG entitlement formula, the Harbor area would be entitled to approximately 4 percent of the current CDBG funds accounted for in the Consolidated Plan. Assuming that department staff is a function of funding, and using the Harbor area's proportion of the City's current CDBG entitlement as an indicator of total grant entitlement that could be received, approximately 4 percent of the remaining division's staff would be allocated to the new Harbor City.

The department has also budgeted for several "as needed" positions for fiscal year 2000-01. It has been assumed that a proportional amount of the cost of these positions would be allocated to the Harbor City based on the number of budgeted staff serving the Harbor.

Non-salary personnel expenditures are also estimated based on the proportion of employees serving the Harbor.

Contractual Services

The department contracts with outside vendors for various services including but not limited to information technology, graphics, photocopier rental and maintenance, specialized training programs, security, transportation for job training participants, marketing, architecture, grant writing, and sidewalk vending district management. The department's fiscal year 2000-01 allocation for contractual services is \$926,285. It is not expected that the department's need for contractual services will change significantly over the next five years. It is assumed for the purpose of this analysis that the new Harbor City will be allocated the costs of contractual services proportional to the department's percent of total staffing that would serve the Harbor.

Controller

The Controller is the chief accounting and auditing officer in the City. In this capacity, the Controller supervises all accounts of officers and boards, records and audits all receipts and disbursements, and protects appropriations against overdraft or expenditure for unauthorized purposes. The Controller also prepares payrolls, acts as custodian of all official bonds (except that of the Controller), and is responsible for all of the City's official financial reporting. The Controller is one of three City Officers elected to office (the other two are the Mayor and City Attorney).

The City Controller's Office does not provide services directly to the public. Instead, it serves an indirect support services role, in that its primary function is to support the City's other departments.

Distribution of Service within City

All of the services provided by the Controller are provided through the Controller's offices located in downtown Los Angeles, primarily at 200 N. Main Street. Direct administrative support for the Controller is provided by staff that is centrally located at the Controller's offices. Centralized direct administrative support includes Budget and Personnel services and Controller's Archives.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Controller. Such an apportionment could be provided by allocating the costs of department staff that, as of fiscal year 2000-01, provide services to the Harbor. In order to estimate the number of department staff providing services to the Harbor, a review of the differing functions and mandates of the department has been undertaken. The staffing attributable to the Harbor can be estimated based on the potential demand for services provided in the Harbor.

For fiscal year 2000-01 the Controller has 171 budgeted positions. The department is divided into six divisions, the functions of which are described in the table below.

CONTROLLER INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Overall department management and oversight.
Accounting & Disbursements	Responsible for appropriations, demand auditing, payroll, check reconciliation, Paymaster processing, and the City's Purchasing Card program.
Auditing	Conducts independent audits of the financial operations of City departments.
Financial Reporting	Prepares City financial statements and reports.
Managerial Services	Provides administrative staff support for the department.
Systems	Responsible for information systems, including fiscal systems, FMIS, technical support, and payroll and procurement systems.

Based on the functions of each division, measures of workload and service needs have been identified that can be used to estimate the proportion of each departmental division providing service to the Harbor. As shown in the table below, a total of 7.50 positions provide services to the Harbor. A special reorganization would thus result in the cost of 7.50 positions, or roughly 4.4% of the department's staff, being allocated to the new Harbor City.

Personnel expenditures from three divisions within the Controller's Office that carry out the department's central activities – Accounting and Disbursements, Auditing, and Financial Reporting – are allocated to the Harbor on the basis of the number of total City personnel that would serve the proposed Harbor City. This allocation is calculated by multiplying the proportion of personnel that would serve the Harbor by the number of positions in that division.

For the Management, Managerial Services and Systems Divisions, all of which support the central activities carried out by the department's other divisions, staffing costs are allocated to the Harbor based on the proportion of employees in the department that would provide services to the Harbor.

CONTROLLER ALLOCATION OF WORKLOAD AND PERSONNEL

Division	Allocation Method	Positions*	Harbor Allocation
Management	Proportion of employees	11	.50
Accounting & Disbursements	Proportion of citywide employees	76	3.25
Auditing	Proportion of citywide employees	37	1.50
Financial Reporting	Proportion of citywide employees	16	.75
Managerial Services	Proportion of employees	9	.50
Systems	Proportion of employees	22	1.00
Total		171	7.50

* Number of positions per division based on the 2000-01 organization chart. Discrepancies between the number of budgeted positions for fiscal year 2000-01 and the number of positions on the organization chart were reconciled to match the number of budgeted positions.

Contractual Services

For fiscal year 2000-01, the department has budgeted \$1.3 million for contractual services, representing 10.7% of its total budget. The department's contractual services include auditing services and other professional services that are expected to be needed by the new Harbor City. Contractual services expenses allocated to the Harbor City are assumed equal to a percentage of the City's fiscal year 2000-01 amount, based on the total number of department staffing that would serve the Harbor City.

Council

The Council is the governing body of the City except as otherwise provided in the Charter, and enacts ordinances subject to the approval or veto of the Mayor. It orders elections, levies taxes, authorizes public improvements, approves contracts, and adopts traffic regulations. The Council adopts or modifies the budget proposed by the Mayor and provides the necessary funds, facilities, equipment, and supplies. It creates positions, fixes salaries, and authorizes the number of employees in budgetary departments. The Council confirms or rejects appointments proposed by the Mayor, prescribes duties for boards or officers not defined by Charter, and may suspend elective officers.

Distribution of Service within City

Each Council member provides direct services to the public through his or her City Hall office and maintains geographically dispersed district office(s) that provide constituent services. Staff at the downtown office is generally responsible for policy development, supervision and management of various special projects, and legislative initiatives for the district. Additional responsibilities include managing the Council Office's communications, outreach, and community education, crafting policy recommendations on important issues, and general office administrative duties. District office staff is responsible for managing overall constituent services, community outreach, oversight of special projects, and the internal operation of the office.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the City Council. Such an apportionment could be accomplished by allocating the cost of staff that, as of fiscal year 2000-01, provide services to the Harbor.

In order to estimate the number of department staff providing services to the Harbor, a review of the differing functions and mandates of the department has been undertaken. For fiscal year 2000-01, the Council has 108 budgeted positions, of which 15 are Councilmembers. While not formally divided into divisions, the Council's staff can be placed in three categories, as listed in the table below.

COUNCIL INTERNAL DIVISION FUNCTIONS	
<u>Division/Category</u>	<u>Function</u>
Management	Provide overall management and supervision.
Analytical	Provide overall legislative and management analysis.
Staff	Carries out Council duties and programs.

Based on the functions of each position, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing services to the Harbor. As shown in the table below, it is estimated that 3.75 Council employees currently provide services to the Harbor. A special reorganization would therefore result in the cost of these 3.75 positions, or roughly 4.0% of the department's staffing costs, being allocated to the new Harbor City.

**COUNCIL
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management	Population	4	.25
Analytical	Population	78	3.00
Administrative	Population	11	.50
Total		93	3.75

* Number of positions excludes 15 Councilmembers

The cost of Council staff is apportioned to the Harbor based on proportion of population citywide that resides in the Harbor, which is 3.98%. The rationale for this allocation methodology is that Council staff provide services directly to city residents, and therefore population provides the best measure of the level of service being provided in the Harbor.

Contractual Services

The contractual services expense for the Council is allocated to the Harbor City in proportion to the number of department personnel allocated to the new city.

Cultural Affairs

The Cultural Affairs Department supports cultural activities such as art exhibitions, community art events, special events, and arts classes. The department often partners with non-profit organizations that administer and coordinate these programs. The department serves under the direction of two commissions, the Cultural Affairs Commission (CAC) and the Cultural Heritage Commission (CHC). The CAC approves the design of buildings, bridges, and other structures that are constructed on or over City property, and, together with department staff, administers the City's Percent for Arts/Endowment Fund. The functions of the CHC include determining whether individual properties meet the criteria for historical or cultural landmark designation, providing property owners with technical assistance in balancing proposed change with architectural preservation, and working with civic groups to preserve monuments.

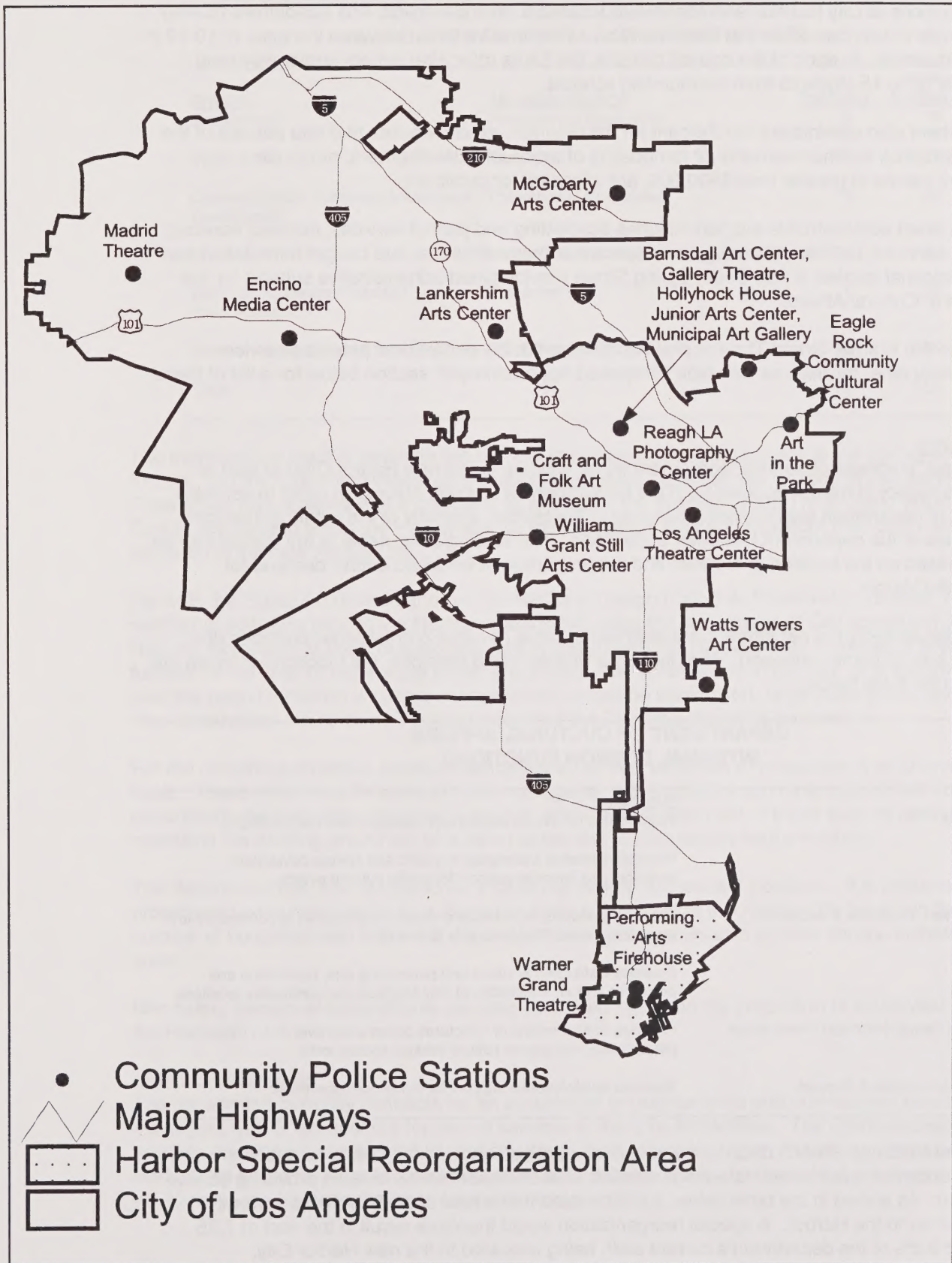
Distribution of Service within City

Many of the direct services provided by the department, including the City Arts program, are available through Community Arts Centers and theatre houses located throughout the City. The specific functions of each division within the department are described briefly in section "Cultural Affairs Department – Proposed Apportionment" below. As of fiscal year 1999-00, the City operated 11 Community Arts Centers and five theater complexes. Two of these facilities, the Warner Grand Theatre and Performing Arts Firehouse Station 53, are located within the boundaries of the proposed Harbor area of special reorganization.¹⁰ A map identifying the location of each Community Art Center is provided below.

¹⁰ Planned for construction in the Harbor area is Bannings Landing Community Arts facility.

City of Los Angeles

Community Arts Centers and Theatres



The City Arts Program provides instruction in visual and performing arts, performing arts programs and art exhibitions at City facilities and community locations. The Electronic Arts Academies (EAAs) is one example of services offered at these facilities. They involve youth between the ages of 10-13 in media art education. In each of the council districts, the EAAs offer after school and/or weekend programs for up to 15 students from surrounding schools.

The department also administers the Percent for Art program, which requires that one percent of the cost of construction for improvements or remodeling of any public development, or private development valued at greater than \$500,000, are allocated for public art.

Centralized direct administrative support includes accounting and payroll services; contract services; information services; facilities, planning, development and maintenance; and budget formulation and control. Personnel located at 433 South Spring Street provide direct administrative support for the Department of Cultural Affairs.

In addition to the Warner Grand Theatre and Fire Station 53, the department provides services through several other facilities as well (see "Proposed Apportionment" section below for a list of these facilities).

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Department of Cultural Affairs. In order to estimate the number of department staff providing services to the Harbor, a review of the differing functions and mandates of the department has been undertaken. The staffing attributable to the Harbor can be estimated based on the location of facilities and the proportion of workload and/or demand for services in the Harbor.

For fiscal year 2000-01 the department is authorized to have 79 non-Commissioner positions (the department has 12 commissioners). The division is divided into 6 divisions, the functions of which are described in the table below.

DEPARTMENT OF CULTURAL AFFAIRS INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Responsible for overall department management and oversight.
Public Art	Provides technical assistance to public and private developers; technical and financial support for public cultural events.
Communication, Resource & Audience Development	Provides seminars, workshops and technical support to community arts organizations and Regional Arts Councils.
City Arts	Provides instruction in visual and performing arts, performing arts programs and art exhibitions at City facilities and community locations.
Architectural Design/Historical Preservation	Provides design review of structures constructed over or on City property and designates cultural/historic monuments.
General Administration & Support	Provides administrative support for the entire department.

Based on the functions of each division, measures of workload and service needs have been identified that can be used to estimate the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 7.25 positions currently provide services to the Harbor. A special reorganization would therefore result in the cost of 7.25 positions, or 9.2% of the department's current staff, being allocated to the new Harbor City.

**DEPARTMENT OF CULTURAL AFFAIRS
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management	Proportion of Employees	9	.75
Public Art	Population	8	.25
Communication, Resource & Audience Development	Proportion of Employees	6	.50
City Arts	Location of employees	36	4.00
Architectural Design/Historical Preservation	Population	4	.25
General Administration & Support	Proportion of Employees	16	1.50
Total		79	7.25

The methodology used to estimate the number of positions providing service to the Harbor area is as follows. For the City Arts division, staff costs are allocated based on the location of City personnel. Department data indicate that 4 positions, all located at the Warner Grand Theatre and Warner Art Center, are located within the Harbor special reorganization area and therefore their costs would be allocated to the new Harbor City.

For both the Public Art division and the Architectural Design/Historical Preservation division, the number of positions serving the Harbor is estimated using the percentage of City population in the Harbor. Population is used to apportion staff in these divisions because their workload is likely a function of the level of large-scale public and private new construction in the City. It is assumed that, over the period for which a special reorganization would be considered, large-scale public and private new construction would be distributed throughout the City proportional to population.

For the remaining divisions, positions are allocated to the Harbor on a “proportion of employees” basis. These remaining divisions provide managerial, administrative and other support services to the department divisions providing direct services, and the apportionment of these support personnel maintains the existing proportion of support personnel to total department personnel.

The department has also budgeted for a large number of “as needed” positions. It is assumed that a proportional amount of the cost for these positions is allocated to the Harbor City based on the number of budgeted staff within the department that would continue to provide service in the Harbor area.

Non-salary personnel expenditures are also estimated based on the proportion of employees serving the Harbor.

Contractual Services

The department currently contracts for an assortment of maintenance and professional services, with the largest type of expenditure for payroll services at the City Art facilities. The City's contractual services do not appear weighted toward any particular geographic region; therefore, it is assumed the Harbor City would be allocated contractual services proportional to the number of employees that would serve the Harbor area upon a special reorganization.

Department on Disability

The Department on Disability's (DD) primary responsibility is overseeing the City's compliance with the Americans with Disabilities Act of 1990 (ADA) and other disability laws. To carry out this responsibility, the department performs activities that relate to making City programs, facilities, and services more accessible. It also creates, monitors, and responds to legislation and policies affecting persons with disabilities, and has taken a lead role in creating the City's federally mandated ADA Transition Plan. The department also provides training and technical assistance on complying with disability law, and provides information and referral services on programs available for disabled persons. And finally, the department's Office of the AIDS Coordinator oversees the City's AIDS policy, administers prevention programs through community-based consortia, and provides technical assistance and research to various organizations. It is also a member of the Housing Opportunities for Persons with AIDS (HOPWA) and the AIDS Task Force board and coordinates the National Conference on Women and HIV/AIDS.

Distribution of Service within City

The department administers various ongoing and terminal programs aimed at serving the disabled population of the City. The Rehabilitation Act of 1973 requires the reasonable accommodation of employees with disabilities. Thus general fund monies are made available for the "504 Program" that helps agencies employ people with disabilities. The Community Development Block Grant funds the Computerized Information Center that provides information about city, county, or private services for the disabled. The department also assists the disabled with social security and transportation issues, and provides information of important service available at the City.

The most pressing departmental issue, as prioritized by the ADA, is to make City buildings ADA compliant under the City Facilities Program. The City's Proposed Budget Summary states that the ADA Curb Ramp Program, aimed at making the City's public sidewalks ADA compliant, will be completed in fiscal year 2001-02. City residential neighborhoods and the areas administered by the Department of Recreation and Parks are a lower priority and thus are being brought into compliance gradually. The first phase of the Recreation and Parks ADA Compliance Program was initiated in 1999-00. The City also budgeted for the purchase of adaptive equipment such as modified workstations, accessible software, computer accessories, and customized chairs as part of the ADA access to programs and services requirements for residents and employees.

It should be noted that the Department of Justice (DOJ) may file lawsuits in federal court to enforce the ADA, and courts may order public entities to make facilities accessible, provide auxiliary aids or services, modify policies, pay compensatory damages, and pay attorneys' fees if the DOJ prevails. Under Title III, the Department of Justice may also obtain civil penalties of up to \$50,000 for the first violation and \$100,000 for any subsequent violation. Audits and litigation are other ADA enforcement procedures. Public entities that have not performed a Self-Evaluation Plan and Transition Plan are subject to lawsuits filed by people with disabilities who have been denied access to programs and services.

All public entities, including a new Harbor City, would be mandated to meet ADA regulations. Therefore, the Harbor City would be expected to carry out the ADA compliance activities planned by the City for the Harbor area.

The department's services are provided through two locations, neither of which is located in the Harbor special reorganization area. The department's central offices, located at the City Personnel Building at 700 E. Temple Street, house all department staff related to ADA requirements, including department-wide program staff and direct administrative support staff. In the central office, the department supervises the ADA Compliance Unit, provides ADA compliance training and technical assistance, and directs legislative policy development and recommendations. Staff related to the Office of the AIDS Coordinator is located in a remote office at 215 West Sixth Street.

Cost of Service

In order to estimate the number of department staff providing services to the Harbor, a review of the differing functions and mandates of the department has been undertaken. The departmental expenses to be allocated to the Harbor can be estimated based on the proportion of workload and/or service needs in the Harbor.

As of fiscal year 2000-01, the department has 26 budgeted positions, of which 9 are Commissioners. The department is divided into four divisions, the functions of which are described in the table below.

DEPARTMENT ON DISABILITY INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Provides overall department oversight.
ADA Compliance Section	Administers and oversees the City's ADA-related efforts and ensures the City is complying with the ADA.
AIDS Coordination	Provides services to persons with AIDS and ensures that persons with AIDS have full access to facilities and programs.
General Administration	Provide administrative support for all department divisions and programs.

Based on the functions of each division, measures of workload and service needs have been identified that can be used to estimate the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of .75 positions currently provides service to the Harbor. A special reorganization would thus result in the cost of .75 positions, or roughly 4.4% of the department's current non-Commissioner staff, being allocated to the new Harbor City.

DEPARTMENT ON DISABILITY ALLOCATION OF WORKLOAD AND PERSONNEL

<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	6	.25
ADA Compliance	Proportion of citywide employees	5	.25
AIDS Coordination	Population	2	-
General Administration	Proportion of employees	4	.25
Total		17	.75

The methodology used to estimate the personnel expenditures allocated to the Harbor is as follows. Personnel in the ADA Compliance and AIDS support City operations as a whole, and would similarly need to support Harbor City operations in the event of a special reorganization. Therefore, the service need for a Harbor City is estimated as a proportion to the City based on the total number of positions citywide that would serve the Harbor City (approximately 4%). It should be noted that the City currently plans to complete all components of its Transition Plan for ADA compliance prior to November 2002, prior to the estimated earliest effective date for incorporation of a new Harbor City.

The AIDS Coordination division is a direct service for city residents, where service needs appear more accurately represented by population. For this division, the number of positions that would transfer is estimated using the percentage of City population in the Harbor. Finally, personnel expenditures in the Management and General Administration Division are allocated to the Harbor on a "proportion of employees" basis.

Contractual Services

The department currently has budgeted \$165,000 for contracted services, including \$50,000 for a contracted Resource Developer. The Resource Developer is responsible for writing grant proposals, resource development, and fundraising on behalf of the department. The Resource Developer is expected to raise \$200,000 in state, federal, or other sources of funds. For the purposes of this analysis, it is assumed the new Harbor City would be allocated the cost of contractual services proportional to the number of the department staff that would serve the Harbor City.

Emergency Preparedness

The Emergency Preparedness Department coordinates and manages the City's emergency preparedness activities. This involves preparing and updating the City's emergency preparedness plans, including oversight and coordination of the individual plans prepared by various City departments. The department is also responsible for the operational readiness of the City's Emergency Operations Centers (EOC). Finally, the department assists the public in preparing for emergencies.

As of fiscal year 2000-01 the Emergency Preparedness Department is a new department of the City. Between 1996 and 1999, the department was a division of the Office of Administration and Research Services. The City of Los Angeles is now one of the nation's few cities to establish a department dedicated solely to preparing for emergencies.

Distribution of Service within City

The department's staff is located downtown in the City Hall East building at 200 N. Main Street. The department's primary Emergency Operations Center is located in the same building. Most of the department's critical equipment, such as computers and computer workstations, is also located in this facility. There are several alternative EOCs, generally placed within City Fire Stations, located throughout Los Angeles. Most of the equipment is housed at 200 N. Main Street, but the department has several vehicles and mobile equipment and can operate at the alternative EOC facilities.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Emergency Preparedness Department. In order to estimate the number of department staff providing services to the Harbor, a review of the differing functions and mandates of the department has been undertaken. The number of department staff that, as of fiscal year 2000-01, provide services to the Harbor can be estimated based on the proportion of workload and/or service needs in the Harbor.

For fiscal year 2000-01 the Emergency Preparedness department has 11 budgeted positions. The department is divided into five divisions, the functions of which are described in the table below.

EMERGENCY PREPAREDNESS DEPARTMENT INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Provides overall department oversight and management.
Planning/Administrative Services	Prepares City's emergency response plans and an annual report of the City's emergency readiness; prepares department's annual budget and provides administrative support.
Training	Coordinates Citywide emergency preparedness training.
Community Preparedness/Interagency Liaison	Coordinates department's community outreach efforts and maintains liaison activities with other public and private sector entities.
Emergency Operations Center	Ensures operational readiness of City and alternative EOCs.

Based on the functions of each division, measures of workload and service needs have been identified that can be used to estimate the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of .5 positions provides services to the Harbor. A special reorganization would thus result in the cost of .5 positions, or roughly 4.6% of the department's non-Commissioner staff, being allocated to the new Harbor City.

**EMERGENCY PREPAREDNESS DEPARTMENT
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management	Population	4	.25
Planning/Administrative Services	Population	4	.25
Training	Proportion of employees	1	-
Community Preparedness/Interagency Liaison	Proportion of employees	1	-
Emergency Operations Center	Staff not allocated	1	-
Total		11	.50

* Number of positions per division based on the 2000-01 organization chart. Discrepancies between the number of budgeted positions for fiscal year 2000-01 and the number of positions on the organization chart were reconciled to match the number of budgeted positions.

Personnel expenditures in Management and Planning/Administrative Services divisions are allocated to the Harbor based on population. This allocation is based on the assumption that emergency preparedness is a direct service to residents and businesses of the City, and population best measures the service needs in the Harbor.

Employee Relations Board

The Employee Relations Board (ERB) deals with issues of employee-employer relations within City government. As the City department responsible for implementing the state law known as the Meyers-Milias-Brown Act, the ERB grants formal recognition to the organizations elected to represent City employees in negotiations with management.¹¹ The ERB also investigates and determines the validity of claims of unfair practices made by management or employee organizations. The ERB itself consists of five part-time members appointed by the Mayor and confirmed by the City Council.

Distribution of Service within City

All department staff are located downtown at 200 N. Main Street (City Hall East). Board meetings take place monthly and at other times at the discretion of the Board chairman.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the ERB. Such an apportionment could be provided by allocating the costs of department staff that, as of fiscal year 2000-01, provide services to the Harbor.

For fiscal year 2000-01 the Employee Relations Board has 8 budgeted positions, of which 5 are Commissioners. While not formally divided into divisions, the Board's staff can be placed in two categories, as listed in the table below.

EMPLOYEE RELATIONS BOARD INTERNAL DIVISION FUNCTIONS	
<u>Division/Category</u>	<u>Function</u>
Management	Provide overall management and supervision.
Staff	Provides support for Board duties.

The ERB does not provide services to the public. It instead is an internal support department providing services to the management and employees of other City departments. As such, the Board does not provide service to specific geographic areas or on behalf of citizens in any specific region of the City. Apportioning expenditures to the new Harbor City is therefore not a matter of determining the proportion of staff providing services to the Harbor. Instead, personnel expenditures are allocated to the Harbor on the basis of the number of total City personnel that would serve the proposed Harbor City. This allocation is calculated by multiplying the proportion of personnel citywide that would serve the Harbor (4%) by the number of positions in the department. On this basis, a special reorganization would result in the cost of .25 positions, or 8.3% of the department's fiscal year 2000-01 staff, being allocated to the new Harbor City.

EMPLOYEE RELATIONS BOARD ALLOCATION OF WORKLOAD AND PERSONNEL			
<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management/Staff	Proportion of citywide employees	3	.25
Total		3	.25

¹¹ California Government Code, Sections 3500-3510. The Meyers-Milias-Brown Act provides guidelines for the process of forming employee collective bargaining units and the conduct of employee-employer negotiations over wages and work rules.

Non-salary personnel expenditures are estimated as a percentage of total salary expenditures in 2000-01.

Environmental Affairs

The Environmental Affairs Department coordinates City efforts to address environmental issues. Its activities include recommending environmental policies and programs to the Mayor and City Council, coordinating and securing funds and other resources to implement environmental programs overseeing and permitting solid waste facilities in the City. The department also coordinates the City's efforts to secure available grant monies by tying grant proposals to existing programs or proposing new programs in order to secure outside resources.

Distribution of Service within City

The department provides service to the community primarily through its Hazardous and Toxic Material Office and Water Resource Management Division. The Hazardous and Toxic Material Office in the department's Land and Materials Division offers outreach and pollution prevention services relating to sewage and stormwater discharge for businesses. The Water Resource Management Division serves residents of the City through a grant funded tree planting program, and a Gardens for Kids Program that provides community gardens in City schools.

The department also serves a support function for the City, coordinating the City's response to regulations of the Air Quality Management District, and serving as the state designated Local Enforcement Agency (LEA) responsible for the inspection and permitting of solid waste facilities. Pursuant to the California Integrated Solid Waste Management Act of 1989, a local governing body of a city, county, or a joint powers body may designate a single local agency to be its enforcement agency. The LEA takes solid waste related complaints, conducts site visits, and issues solid waste permits for landfills and solid waste transfer stations. LEAs have the primary responsibility for ensuring the correct operation and closure of solid waste facilities in the state.

Department staff is located at downtown offices at 201 North Figueroa. Most of the direct services the department provides are administered through this downtown office. Some direct services provided by department staff, however, are carried out in areas across the City. Department staff that inspects solid waste facilities, for example, must travel to these facilities to carry out inspections.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Environmental Affairs Department. Such an apportionment could be provided by allocating the costs of department staff that, as of fiscal year 2000-01, provide services to the Harbor. In order to estimate the number of department staff providing services to the Harbor, a review of the differing functions and mandates of the department has been undertaken. The staffing attributable to the Harbor can be estimated based on the proportion of workload and/or service needs in the Harbor.

For fiscal year 2000-01 the department has 42 budgeted positions, of which 5 are Commissioners. The department is divided into five divisions, the functions of which are described in the table below.

**DEPARTMENT OF ENVIRONMENTAL AFFAIRS
INTERNAL DIVISION FUNCTIONS**

<u>Division</u>	<u>Function</u>
Management	Provides overall department management and oversight.
Air Quality Management	Analyzes and responds to air quality mandates; coordinates City air quality efforts; advises the Mayor and Council on air quality issues.
Water Resources Management	Assists other departments with water resources issues; distributes publications and outreach materials through the Environmental Information Center.
Land and Materials Management	Provides information and assistance to businesses that deal with hazardous waste; permits and inspects solid waste facilities as the City's Local Enforcement Agency; provides policy analysis and proposals related to solid waste.
General Administration and Support	Responsible for budget, payroll, grant administration, and all other general administrative matters.

Based on the functions of each division, measures of workload and service needs have been identified that can be used to estimate the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 1.5 positions currently provide services to the Harbor. A special reorganization would thus result in the cost of 1.5 positions, or roughly 4.1% of the department's current staff, being allocated to the new Harbor City.

**DEPARTMENT OF ENVIRONMENTAL AFFAIRS
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	4	.25
General Administration and Support	Proportion of employees	7	.25
Air Quality Management	Population	7	.25
Water Resources	Population	4	.20
Land and Materials Management	Population	15	.50
Total		37	1.50

* Number of positions per division based on the 2000-01 organization chart and excludes five Commissioners. Discrepancies between the number of budgeted positions for fiscal year 2000-01 and the number of positions on the organization chart were reconciled to match the number of budgeted positions.

The methodology used to estimate the number of personnel expenditures allocated to the Harbor is as follows. Expenses from the Air Quality Management, Water Resources Management, and Land and Materials Management divisions are allocated to the Harbor based on population. Population is used as the apportionment basis because staff in each division perform citywide functions. The Air Quality Management division, for example, administers the City's Mobile Source Air Pollution Reduction Trust Funds, and these funds are provided to the City from the South Coast Air Quality Management District on the basis of the City's population. The Land and Materials Management Division includes the Hazardous & Toxic Materials, Local Enforcement Agency, and Policy and Program Analysis sections. A portion of expenditures within the Local Enforcement Agency (LEA), are also allocated to the Harbor. This allocation is made recognizing that it may require a significant period of time before the new Harbor City can become a certified LEA. Certification would require a new Harbor City to request

such status by vote of the governing body, and demonstration that staff would be in place that meet state criteria and that funding for the program would be established.

Finally, personnel expenditures in the Management and General Administration and Support Divisions are allocated to the Harbor based on the Harbor area consisting of 3.98% of the City's population. This would result in the cost of one position being allocated to the new Harbor City.

Contractual Services

The department's appropriations for contractual service in fiscal year 2000-01 (totaling \$208,000) are almost entirely grant-funded. It is assumed the new Harbor City would be allocated contractual services costs in proportion to the number of department staff that would serve the new city.

Ethics Commission

Los Angeles voters created the City Ethics Commission ("CEC" or "Commission") in June 1990 by approving Proposition H. The Commission administers and enforces Charter provisions and City ordinances involving conflicts of interest, lobbying, and governmental ethics. The CEC investigates alleged violations relating to campaign finance, governmental ethics, and conflicts of interest. It conducts educational programs for City officials on compliance requirements for City Officials and for the general public on the relationship between money and local politics. The CEC works to provide voters with information about local candidates and also administers the City's "Whistle-blower Hotline" by responding to calls and carrying out investigations of complaints.

In addition to administering City laws related to governmental ethics, the Commission also oversees the City's compliance with the California Political Reform Act of 1974, a state law that proscribes conflicts of interest for public officials. This state law requires that all local government officials with decision-making responsibility annually disclose financial information through a "statement of economic interest." Currently, over 4,000 City of Los Angeles officials submit these statements to the CEC.

Distribution of Service within the City

The Commission provides all its services through its downtown offices located at 201 North Los Angeles Street. All Commission staff is located in this downtown office.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Commission. Such an apportionment could be provided by allocating the costs of department staff that, as of fiscal year 2000-01, provide services to the Harbor. In order to estimate the number of department staff providing services to the Harbor, a review of the differing functions and mandates of the department has been undertaken. The staffing attributable to the Harbor can be estimated based on the potential demand for services provided in the Harbor.

For fiscal year 2000-01 the Ethics Commission has 27 budgeted positions, of which 5 are Commissioners. The Commission consists of five divisions, the functions of which are described below:

CITY ETHICS COMMISSION INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Provides overall department management and oversight.
Policy, Education & Advice	Performs analyses and develops policy recommendations regarding campaign finance, lobbying and governmental ethics; advises City officials and the public on governmental ethics laws.
Enforcement	Administers whistleblower program, investigates alleged violations of governmental ethics laws, and enforces City laws related to campaign finance, conflict of interest, and other ethics-related matters.
Audits & Compliance	Responsible for campaign finance and lobbying audit programs, administers and monitors the campaign disclosure requirements and filing obligations of officeholder and candidate controlled committees, and maintains and updates electronic campaign disclosure information.
Administration/Lobbying	Responsible for budget, payroll, grant administration, all other general administrative matters, administering the Lobbying Registration and Disclosure program, and, during election years, administering the City's Public Matching Funds Program.

As shown in the table below, it is estimated that a total of 1.25 positions currently provides services to the Harbor. A special reorganization would thus result in the cost of 1.25 positions, or roughly 5.7% of the department's current staff, being allocated to the new Harbor City.

CITY ETHICS COMMISSION ALLOCATION OF WORKLOAD AND PERSONNEL			
<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	6	.25
Policy, Education & Advice	Proportion of citywide employees	3	.25
Enforcement	Proportion of citywide employees	3	.25
Audits & Compliance	Proportion of citywide employees	5	.25
Administration/Lobbying	Proportion of employees	5	.25
Total		22	1.25

The methodology used to estimate the number of positions estimated to serve the Harbor is as follows: Since the City Ethics Commission can be characterized as a City support service, positions in three of the divisions – Policy, Education & Advice, Enforcement, and Audits & Compliance – are allocated to the Harbor based on a “proportion of City staff” basis. Such an apportionment apportions personnel expenditures based on the percentage of staff serving the Harbor in all other City departments, which is roughly 4%.

Expenditures in the Management and Administrative/Lobbying Division are allocated to the Harbor on a “proportion of employees” basis. Positions are allocated proportionate to the percentage of employees in all other department divisions that would serve the new Harbor City.

Contractual Services

The department fiscal year 2000-01 budget for contractual services is \$290,115, most of which is spent for the services of a City Charter mandated special prosecutor. For the purposes of this report, it is assumed that the new Harbor City will be allocated the cost of a proportional share of contractual service costs, and that these costs can be estimated based on the proportion of department staff serving the Harbor (5.7%, as calculated above).

Finance

Established in July 2000, the Office of Finance performs financial functions previously carried out by several City departments. The department includes the City Treasurer, whose responsibilities include receiving, disbursing, and exercising custodianship over all City funds, investing City funds, and some debt management activities. The department is also the City's tax collector, responsible for collecting City revenues and enforcing City laws related to various taxes, fees, and charges. A third broad area of department responsibilities is risk management and employee safety. These activities include analyzing the City's potential exposure to financial loss and assisting City departments in creating safer working conditions.

Distribution of Service within City

The activities of the Finance Department can be divided into two broad categories: (1) internal support involving no direct provision of services to the public; and (2) tax collection activities in which the department performs primarily enforcement functions but also provides certain direct services to the public.

The department's internal support activities include both its Treasury-related functions and its responsibilities related to risk management and employee safety. All these activities involve supporting the operations of the City as a whole (e.g., managing the City's investment portfolio) or of specific City departments (e.g., analyzing a department's exposure to financial risk). As such, these functions do not involve providing services to specific geographic areas or on behalf of citizens in specific regions of the City.

Unlike its internal support activities, the department's tax collection responsibilities involve enforcement functions as well as some direct services to the public. These responsibilities include enforcing compliance with City tax regulations through, for example, on-site inspections of businesses and the performance of taxpayer audits. These responsibilities also include issuing refunds for overpayment of taxes and the processing of requests for utility users tax exemptions. The department's tax collection activities are administered by personnel located in both a main downtown office (111 N. Hope Street, Los Angeles), and from several offices distributed across the City. There are 10 such distributed "Field" and "Branch" offices; one such branch office is located in the Harbor area (14401 638 S. Beacon Street, San Pedro).¹²

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Office of Finance. In order to estimate the number of department staff providing services to the Harbor, a review of the differing functions and mandates of the department has been undertaken. The number of department staff that provide services to the Harbor can be estimated based on the estimated workload and service needs in the Harbor.

For fiscal year 2000-01 the department has 344 budgeted positions. The department is divided into six divisions, the functions of which are described in the table below.

¹² A "Field" office is an office from which staff are deployed to conduct on-site inspections and other enforcement activities. A "Branch" office has a public counter and provides direct services to the public. The department has a "Harbor District Office" that is a combination Field/Branch office, but it is not located in the Harbor special reorganization area (its address is 10221 Compton Avenue, Los Angeles).

**OFFICE OF FINANCE
INTERNAL DIVISION FUNCTIONS**

<u>Division</u>	<u>Function</u>
Management	Responsible for overall department management and oversight.
Treasury	Receives, disburses, and exercises custodianship over all City funds, conducts the City's investment program, carries out select debt management functions, and provides internal accounting support.
Risk Management & Safety	Analyzes City's potential exposure to financial loss; assists departments with employee safety issues.
Tax & Permit	Implements City Tax Ordinance, audits business and utility taxes, and collects taxes from businesses.
Administrative	Responsible for department budget, personnel, systems, and other administrative and support functions.
Revenue Management	Responsible for maximizing the City's revenue by improving City systems for billing, accounts receivable, and other revenue-producing activities.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 9 positions provide services to the Harbor. A special reorganization would thus result in the cost of 9 positions, or roughly 2.6% of the department's staff, being allocated to the new Harbor City.

**OFFICE OF FINANCE
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	7	.25
Treasury	Population	32	1.25
Risk Management & Safety	Proportion of employees	13	.50
Tax & Permit	Proportion of business tax receipts	282	6.50
Administrative	Proportion of employees	9	.25
Revenue Management	Proportion of employees	1	-
Total		344	9.00

The methodology used to estimate the number of positions providing services to the Harbor is as follows. For one division – the Treasury division – the estimate is based on population. It is calculated by multiplying the proportion of the City residents residing in the Harbor (3.96%) by the number of positions in each division. Due to the citywide nature of each of these divisions' services, and because the department does not compile geographic workload indicators that show specifically where these divisions carry out their services, it is necessary to use an alternative measure to estimate the number of employees providing services to the Harbor. Given the citywide nature of these divisions' functions, the alternative measure deemed most appropriate is population.

For the Tax and Permit division, staff is apportioned based on the percentage of business tax revenues contributed by the Harbor Area, estimated to be 2.31% (see Table R-1 in Appendix III). This

apportionment method is used because the primary activity of the Tax and Permit division is the collection of business taxes.

For the remaining divisions, the estimate of the number of positions providing services to the Harbor is made on a "proportion of employees" basis. Personnel costs are allocated in proportion to the percentage of employees in all other divisions that would serve the new Harbor City.

Contractual Services

The department's appropriations for contractual service in fiscal year 2000-01 were \$398,631. It is assumed the new Harbor City would be allocated contractual services costs in proportion to the number of department staff that would serve the new city.

Fire

The Fire Department performs several public safety functions. It is responsible for preventing and suppressing fires and for investigating their causes. The department also responds to medical emergencies, and performs search, rescue, and other emergency operations. Finally, the department enforces regulations related to fire safety, underground storage tanks, and hazardous materials.

Distribution of Service within City

In describing where and how the Fire Department delivers services, it is useful to divide the department's activities into three categories: (1) direct services to the public in the form of fire fighting and life saving activities; (2) direct services to the public in the form of regulatory and enforcement activities; and (3) various intra-department technical and operations support functions.

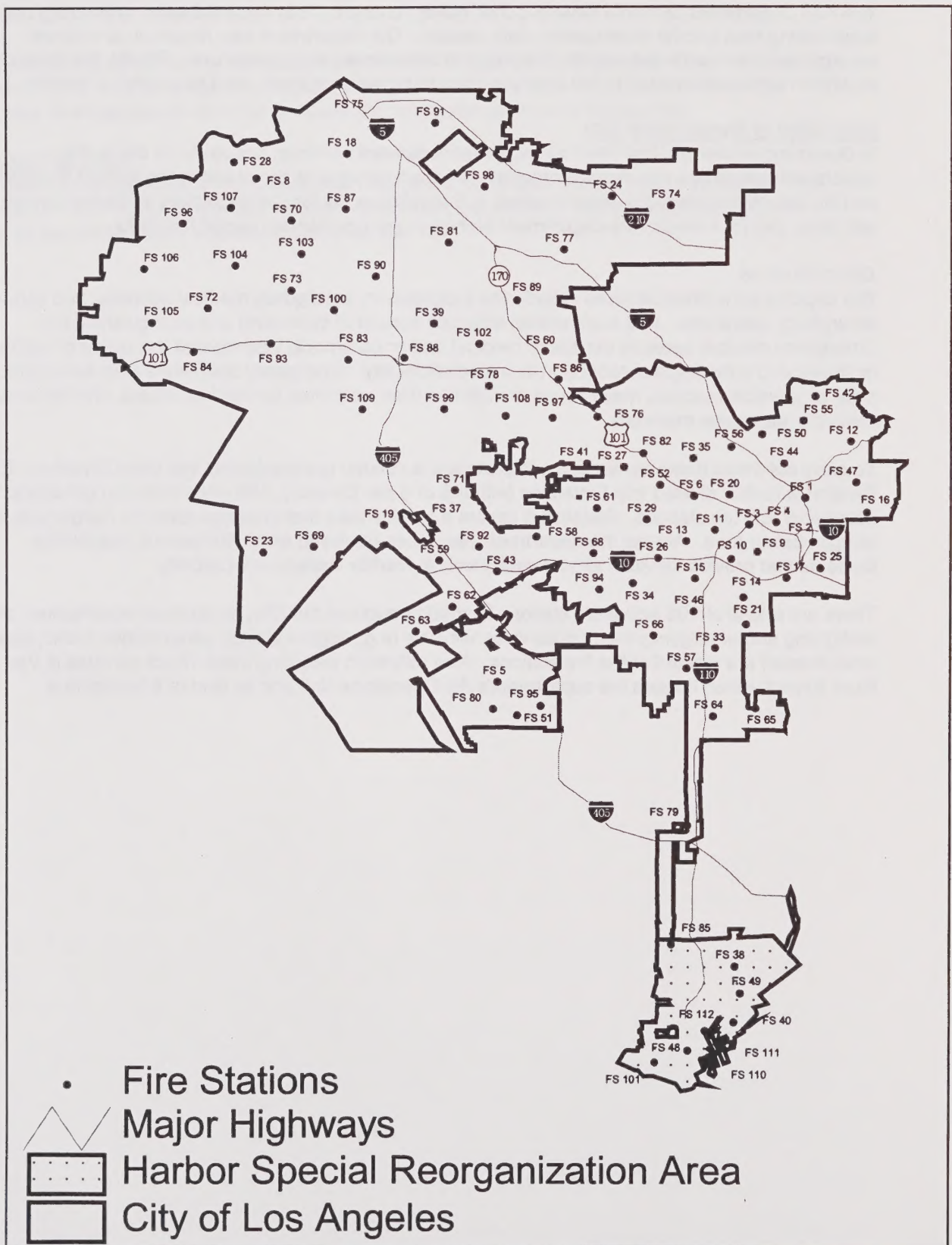
Direct Services

The department's direct services include fire suppression, emergency medical services, and various emergency operations. Fire suppression activities consist of controlling and extinguishing fires. Emergency medical services consist of medical and/or paramedic treatment at the scene of accidents or illness and providing transportation to a medical facility. Emergency operations take several forms, such as physical rescues, major brush or high-rise fires, searches for lost individuals, and incidents involving hazardous materials.

To carry out these direct services, the department is divided geographically into three Divisions. Each Division is further divided into Battalions (either 5 or 6 per Division), with each Battalion consisting of between 5 to 8 fire stations. Battalion 6 covers a service area that encompasses the Harbor special reorganization area. Among the department resources deployed within Battalion 6 include five fireboats that provide services almost exclusively to Harbor Department property.

There are a total of 102 active fire stations located throughout the City. In addition to personnel, all firefighting and emergency medical services vehicles (e.g., engine trucks, aerial ladder trucks, and ambulances) are located at the fire stations. Also utilized in providing these direct services is Van Nuys Airport, which houses the department's Air Operations Unit and its fleet of 6 helicopters.

City of Los Angeles Fire Stations



As of fiscal year 2000-01, each fire station in Battalion 6, which consists of 7 land based fire stations and two additional stations used solely as berths for fireboats, are located within the Harbor special reorganization area. Also based in the Harbor area is the Harbor Fire Prevention Branch Office, located at 638 Beacon Street, San Pedro.

Another form of direct services the department provides is several regulatory and enforcement activities. These direct services, aimed primarily at preventing fires and other threats to public safety, include inspections to enforce fire safety regulations and the regulation of underground storage tanks and hazardous materials. These services also include arson investigation. Most of the regulatory and enforcement activities are carried out by staff located at central offices in and near downtown Los Angeles, particularly at the department headquarters at 200 N. Main Street.

Support Services

The third broad area of department activity is technical and operations support functions. These support functions include the following: training of new recruits and existing firefighters, equipment supply and maintenance, emergency dispatch, and information systems.

With respect to training, the department has two main training facilities. The primary facility is the Frank Hotchkin Memorial Training Center, located near downtown Los Angeles at 1700 Stadium Way. The Hotchkin Center provides all In-Service training for existing firefighters and some training of new recruits. It is also the base for several units within the department, such as the Quality Improvement Section and the Arson Investigation Section. The other training facility is the Valley Training Academy (also called "Drill Tower 89"), located at 7063 Laurel Canyon Boulevard, North Hollywood. This serves as the main training facility for new recruits; it lacks the necessary resources (e.g., enough classrooms) to serve as an In-Service training facility as well.

Supply and maintenance is another support function provided within the department. It consists of procuring and maintaining all the vehicles, equipment, and supplies required by the department. All emergency medical supplies are stored at central offices located at 140 N. Avenue 19, Los Angeles. Most maintenance and repair takes place at these central offices as well, particularly extensive maintenance services such as painting emergency vehicles or repairs that require special lifting equipment for heavy vehicles.

A third support function relates to the department's communications systems, in particular the Fire Command and Control System II (FCCS II). The FCCS II system is a collection of hardware, software, and communications networks that allows department personnel to communicate with each other and provides the ability to dispatch emergency resources. This system is administered from downtown offices at 200 N. Main, although the mobile FCCS II equipment is used by emergency services personnel in the field.

Management information systems (i.e., computers and computer networking systems) are a fourth support function provided within the department. This includes all the computer hardware and software that support the department's operations. All information systems administration is carried out at downtown offices at 200 N. Main Street.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Fire Department. The number of department staff that, as of fiscal year 2000-01, provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor. For fiscal year 2000-01 the Fire Department has 3,496 budgeted positions, ten of which are Commissioners. The department is divided into 7 divisions, the functions of which are described in the table below.

FIRE DEPARTMENT INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Provides overall department management and oversight.
Operations	Directs the department's line functions, which includes Emergency Services, Fire Prevention and Public Safety, Support Services, and Human Services.
Emergency Services	Responsible for fire suppression & emergency medical care (i.e., Paramedic services).
Fire Prevention and Public Safety	Responsible for preventing fires, enforcing fire-related building regulations, and for ensuring the safety of certain public facilities (e.g., schools, churches).
Support Services	Provides technical and operations support services including computer systems, operations control dispatch (i.e., the "911" telephone system), and procurement and maintenance of equipment and supplies.
Human Services	Responsible for hiring and training new recruits, ongoing training and certification of firefighters, and for department-wide quality improvement.
Administrative Services	Responsible for internal administrative and clerical/support functions such as accounting, payroll, budgeting, graphics, brochures, and billing.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 305.5 positions provide direct service to the Harbor. A special reorganization would thus result in the cost of 305.5 positions, or roughly 8.8% of the department's staff, being allocated to the new Harbor City.

**FIRE DEPARTMENT
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	31	3.00
Operations	Proportion of employees	14	1.00
Emergency Services	Location of employees; Proportion of employees	2,754	234.50
Fire Prevention & Public Safety	Location of employees; Proportion of employees	253	29.50
Support Services	Proportion of employees	244	21.25
Human Services	Proportion of employees	112	9.25
Administrative Services	Proportion of employees	78	7.00
Total		3,486	305.50

* Number of positions per division based on the 1999-00 organization chart and excludes ten Commissioners. Discrepancies between the number of budgeted positions for fiscal year 2000-01 and the number of positions on the organization chart were reconciled to match the number of budgeted positions.

The methodology used to estimate the number of positions providing service to the Harbor is as follows. For the Emergency Services Bureau, two groups of staff positions require separate apportionment methodologies. The first are those positions assigned to one of Emergency Services' three geographic Divisions. The apportionment method used for these positions is based on their geographic location: all costs related to positions stationed at fire stations located in the Harbor special reorganization area would be apportioned to the Harbor. This consists of 232, or 8.5%, of the 2,725 positions assigned to Divisions.

A second group of positions in the Emergency Services Bureau are those not assigned to any of the Bureau's three Divisions. These consist of 29 positions either located in downtown offices or assigned to special units (e.g., Air Operations) that serve the entire City. For these positions, "proportion of employees" is the apportionment basis. It is calculated by multiplying the number of Harbor-located positions as a percentage of positions in all Divisions (8.5%, as calculated above) by the number of positions not assigned to a Division (29). This totals roughly 2 positions. These roughly 2 positions are added to the 232 positions whose costs are already apportioned, for a total of 234 Emergency Services Bureau positions whose costs would be apportioned to the new Harbor City. The logic of this apportionment is that the Bureau's 29 centralized and special unit positions primarily support Division operations. Since 8.5% of all Division positions are located in the Harbor, a reasonable estimate is that the same percentage of the Bureau's 29 non-Division positions provide services to the Harbor.

Like Emergency Services, the Bureau of Fire Prevention and Public Safety also consists of two groups of positions that require separate apportionment methodologies. The first group consists of "distributed" positions, which are those assigned to units that serve a particular geographic area of the City.¹³ As of fiscal year 1999-00, a total of 60 positions fall into this category. Of these positions, 7, or 11.7%, are located in the Harbor. Because these 7 positions are located in the Harbor, their costs are apportioned to the new Harbor City.

¹³ This includes the following units: Central Industrial, Valley, West, Harbor, West Public Assemblage, Central Public Assemblage, and Valley Public Safety.

The second group consists of positions either located in downtown offices or assigned to special units that serve the entire City. For these positions, “proportion of employees” is the apportionment basis. It is calculated by multiplying the number of Harbor-based positions as a percentage of all “distributed” positions (11.7%, as calculated above) by the number of positions either based in downtown offices or assigned to Citywide special units, which totals about 23 positions. These roughly 23 positions are added to the 7 positions whose costs are already apportioned, for a total of approximately 30 positions whose costs would be apportioned to the new Harbor City. The logic of this apportionment is that the number of Harbor-based positions as a percentage of all the Bureau’s “distributed” positions provides a proxy measure of the degree to which the Bureau provides services to the Harbor. Since 11.7% of all “distributed” positions are located in the Harbor, this same percentage factor is applied to the Bureau’s 193 positions located in downtown offices or assigned to citywide special units.

For the remaining divisions in the department – Support Services, Management, Operations, Human Services, and Administrative Services – the number of positions providing service to the Harbor is estimated based on the proportion of employees in the department’s other divisions providing services to the Harbor. These five divisions primarily support the activities of the department’s two divisions that provide direct services to the public – the Emergency Services Bureau and the Bureau of Fire Prevention and Public Safety. Thus the proportion of employees in the Emergency Services Bureau and the Bureau of Fire Prevention and Public Safety providing services to the Harbor provides a measure of the positions in the five support divisions providing services to the Harbor

Contractual Services

The department’s fiscal year 2000-01 budget for contractual services is roughly \$1.8 million. The services contracted for include stress management, emergency medical advisor services, and various other services. It is assumed that the Harbor City will be allocated a proportional share of the cost of contractual services based on the proportion of department staff serving the Harbor (8.8%, as calculated above).

General Services

The Department of General Services provides services that support the operations of other City departments. Its activities fall into five broad categories: (1) repair and maintenance of the City's vehicle fleet; (2) day-to-day building services, such as custodial, security, and inter-office mail and messenger services; (3) property management and construction-related activities; (4) management of City inventories and the purchasing of equipment and supplies for City departments; and (5) printing and publishing services.

Distribution of Service within City

As indicated above, the department provides no direct services to the public. It instead serves the public indirectly by providing services to other City departments. It provides these services from 21 separate office locations throughout Los Angeles. The department also manages 72 warehouses and stock rooms at which City supplies and equipment are stored. Department headquarters is located at 111 E. First Street (City Hall South), and centralized program and administrative support staff are located both at the headquarters and at several City offices in downtown Los Angeles.

The department's responsibilities related to the City's vehicle fleet include the repair and maintenance of roughly 9,000 pieces of equipment and vehicles operated by the City's non-proprietary departments, excluding the Police and Fire Departments. The vehicles maintained include automobiles, trucks, helicopters, and special purpose equipment. Additional responsibilities include ongoing fleet reengineering efforts, which consist of developing ways to better utilize the City's fleet, consolidating and automating the City's fuel sites, and both upgrading and removing the City's underground storage tanks. The City's fleet repair and maintenance facilities are located in 13 locations across Los Angeles, of which one is within the Harbor special reorganization area.

In addition to fleet services, the department also provides several day-to-day building services for all City departments, excluding the proprietary departments and the Department of Recreation and Parks. These services include mail/messenger services, custodial and recycling services, parking management, and security services. The department provides most of these services only to City-owned facilities; services to the facilities the City leases are generally the responsibility of the building owner. As of fiscal year 2000-01, the department provides at least some services to 842 buildings and structures citywide, of which 30, or 3.6%, are located in the Harbor.

A third broad area of department activities is property management and several facility construction functions. The department manages the City's real estate assets, and, in conjunction with City departments, determines facilities needs and site locations. The department also carries out numerous functions related to the construction of City buildings and structures. This includes providing laborers from various trades (e.g., plumbers, carpenters) to construct City facilities. It also includes providing repairs and alterations to facilities, and the upkeep of these facilities' major systems and equipment (e.g., elevators, electrical systems). The department's property management personnel are located in downtown offices at 111 E. First Street. Personnel involved in construction-related activities are located both in downtown offices and in department offices in several regions of the City, though no such office is located in the Harbor area.

A fourth group of services the department provides is the purchasing of supplies and equipment for other City departments and the management of City inventories. This includes overseeing the City's 72 warehouses and stock rooms, two of which are located in the Harbor special reorganization area. (A list of the warehouses located in the Harbor appears in the "Proposed Apportionment" section below.) Department staff involved in purchasing and inventory management are located at department headquarters, at Piper Technical Center in downtown Los Angeles (555 Ramirez Street), and at the Hyperion waste management facility located at 12000 Vista Del Mar, Playa Del Rey.

A final area of department activities is printing and publishing services. This consists of providing other City departments with services such as document duplicating, specialized graphics, and business card ordering. All printing and publishing personnel are located at Piper Technical Center.

Cost of Service

The proposed “purchase of service” agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Department of General Services. In order to estimate the number of department staff providing services in the Harbor, a review of the differing functions and mandates of the department has been undertaken. The staffing attributable to the Harbor can be estimated based on the current location of staff as well as the potential demand for services provided in the Harbor.

For fiscal year 2000-01 the Department of General Services has 1,673 budgeted positions. The department is divided into 18 divisions, the functions of which are described in the table below.

**DEPARTMENT OF GENERAL SERVICES
INTERNAL DIVISION FUNCTIONS**

<u>Division</u>	<u>Function</u>
Management	Responsible for overall department management and oversight.
Fleet Re-engineering	Responsible for improving City's utilization of vehicles and equipment, and for improving the City's fuel delivery infrastructure.
Fleet Services	Manages the vehicle fleet (e.g., autos, trucks, helicopters, special equipment) for Council-controlled departments, excluding Fire and Police; designs and modifies special mobile equipment.
Standards	Tests materials for quality control and provides engineering services such as testing for soil and groundwater contamination.
Asset Management	Maintains inventory of City's real property assets and develops facilities needs plans.
Construction Forces	Provide technical expertise and labor for City construction projects and building renovations.
Building (Craft) Maintenance	Maintains and repairs all public buildings and surplus properties under Council control excluding Convention Center.
Supply Services (Purchasing/Materials)	Purchases equipment, materials, supplies and services for City departments; manage procurement and logistics agreements with City vendors for the department's purchasing, contracting, and warehousing functions.
Publishing Services	Provides printing, binding and graphics services to City departments.
Accounting Services	Responsible for accounting for the department's budgetary expenditures, payroll, and chargebacks.
Finance & Special Operations	Prepares and monitors department budget; coordinates efforts of City departments for special events/projects (e.g., visiting dignitaries).
Personnel Services	Responsible for department-wide personnel issues including discipline, employee relations, and personnel processing.
Management Information Services	Develops, maintains and supports the department's information technology systems.
Mail and Messenger Services	Processes and delivers inter-office correspondence.
Facilities Recycling	Implements the City's recycling program.
Parking Services	Operates the City's employee and commercial parking facilities, enforces parking regulations, and provides special services such as car wash and maintenance.
Custodial Services	Responsible for trash removal, vacuuming, floor washing and other custodial services in all City buildings.
Security Services	Provides security for City facilities and public buildings.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 59.75 positions provide services to the Harbor. A special reorganization would therefore result in the costs of 59.75 positions, or roughly 3.6% of all departmental staff, being allocated to the Harbor.

**DEPARTMENT OF GENERAL SERVICES
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	10	.25
Fleet Re-engineering	Location of employees	14	.25
Fleet Services	Location of employees	495	12.00
Standards	Location of City-owned structures	109	4.50
Asset Management	Location of City structures (leased and owned)	33	1.25
Construction Forces	Proportion of employees	2	-
Building (Craft) Maintenance	Location of City-owned structures	192	8.00
Supply Services (Purchasing/Materials)	Proportion of citywide employees	285	12.00
Publishing Services	Proportion of employees	40	1.50
Accounting Services	Proportion of employees	42	1.50
Finance/Special Operations	Proportion of employees	13	.50
Personnel Services	Proportion of employees	16	.50
Management Information Systems	Proportion of employees	15	.50
Mail and Messenger Services	Location of City structures (leased and owned)	33	1.25
Facilities Recycling	Location of City-owned structures	20	.75
Parking Services	Location of City-owned parking facilities	19	1.25
Custodial Services	Location of City-owned structures	260	10.75
Security Services	Location of City-owned structures	75	3.00
Total		1,673	59.75

The methodology used to estimate the number of positions providing service to the Harbor is as follows. For five divisions – Standards, Building Maintenance, Facilities Recycling, Custodial Services, and Security Services – positions are assumed to provide service to the Harbor based on the location of City-owned buildings maintained by the Department of General Services. Analysis of City data indicates that of a total of 656 buildings owned by the City and maintained by the department, 27, or 4.1%, are located in the Harbor. Thus, 4.1% of the positions in these five divisions are estimated to be providing services to the Harbor. The logic of this apportionment is that since employees in these divisions provide various services (e.g., custodial, security, routine physical maintenance) to City-owned buildings, the proportion of City-owned buildings in the Harbor provides a reasonable estimate of the number of positions serving the Harbor.

Three divisions – Asset Management, Supply Services (i.e., Purchasing/Materials Management), and Mail and Messenger Services – are assumed to provide service to the Harbor based on the location of all City buildings (both owned and leased) maintained by the department. Analysis of City data indicates that of a total of 842 buildings either owned or leased by the department and maintained by the department, 30, or 3.6%, are located in the Harbor.¹⁴ Thus 3.6% of the positions in these three divisions are estimated to be providing services to the Harbor. The logic of this apportionment is that since employees in these divisions provide various services (e.g., mail and facilities recycling) to both City-owned and City-leased buildings, the proportion of all City buildings in the Harbor provides a reasonable estimate of the number of positions serving the Harbor.

Both of the department fleet-related divisions – Fleet Services and Fleet Re-engineering – are assumed to provide service to the Harbor based on the location of employees in the Fleet Services division. Fleet Services is responsible for managing and maintaining most of the City's vehicle fleet. The division has vehicle maintenance facilities citywide, and it is assumed in this analysis that the City's fleet vehicles are maintained at facilities within the region they serve. Given this assumption, it is estimated that all positions located in the Harbor, which is 12, or 2.4%, of the division's 495 positions, are primarily maintaining vehicles that provide services to the Harbor. This same percentage (2.4%) is applied to apportion costs in the Fleet Re-engineering division, to the new Harbor City.

For the Parking Services division, personnel are assumed to provide service to the Harbor based on the proportion of all City-owned off-street parking lots that are located in the Harbor. City data indicate that 8 of the City's 115 off-street parking lots, or roughly 7%, are located in the Harbor. Because the Parking Services division provides services to City-owned parking lots, it is estimated that the proportion of these lots located in the Harbor indicates the proportion of positions providing services to the Harbor.

For the remaining divisions within the department – Management, Construction Forces, Publishing Services, Accounting, Finance and Special Operations, Personnel, and Management Information Systems – the number of positions providing service to the Harbor is estimated based on the proportion of employees in all of the department's other divisions providing services to the Harbor.

General Service has also budgeted for a large number of "as needed" positions for fiscal year 2000-01. It has been assumed for the purposes of this fiscal analysis that the Harbor City would also incur a cost in proportion to the amount of budgeted staff serving the Harbor.

Contractual Services

The department's fiscal year 2000-01 budget for contractual services is \$10.1 million. The department has ongoing contracts for several kinds of services, which do not appear to be inordinately weighted in any particular geographic area of the City. These include contracts for security services, mail services, consulting services, and various utility services. It is therefore assumed that the new Harbor City would be allocated a proportional share of the costs of contract services, and that the costs of these contract services can be estimated based on the percentage of department staff providing services to the Harbor (3.6%, as calculated above).

¹⁴ The 842 buildings citywide consist of 656 City-owned buildings and 186 City-leased buildings. Of the leased buildings, 3, or 1.6%, are located in the Harbor area.

Human Relations Commission

The Human Relations Commission focuses on improving inter-group relations within Los Angeles. Its functions include advising the Mayor and City Council about the state of community and inter-group relations. It also investigates the causes of inter-group conflict, creates programs that teach respect for differences and skills in non-violent problem-solving, and serves as a resource center for City departments, the media, and community-based organizations in need of assistance to address human relations problems.

Distribution of Service Within the City

The Commission is centrally located in Room 700 at Los Angeles City Hall East, and all Commission staff and activities are based in this central office.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Commission. Such an apportionment could be provided by allocating the costs of department staff that, as of fiscal year 2000-01, provide services to the Harbor. The number of department staff that, as of fiscal year 2000-01, provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor. According to the department's fiscal year 2000-01 City Budget, the department had 26 budgeted positions, of which 11 are Commissioners.

The department is comprised of four divisions, the functions of which are described in the table below.

HUMAN RELATIONS COMMISSION INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Provides management services to the Department.
Administrative Services	Responsible for the Department's budget, personnel, systems, research, clerical support and payroll.
Community Services	Responsible for managing the Commission's programs.
Special Projects	Responsible for projects requiring dedicated staff. This division is not currently staffed.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of .50 positions provides service to the Harbor. A special reorganization would therefore result in the cost of .50 positions, or roughly 3.3% of the department's non-Commissioner staff, being allocated to the new Harbor City.

HUMAN RELATIONS COMMISSION ALLOCATION OF WORKLOAD AND STAFF

<u>Unit</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	2	-
Community Services	Population	7	.25
Administrative Services	Proportion of employees	6	.25
Total		<u>15</u>	<u>.50</u>

The Management and the Administrative Services Divisions primarily support the activities of the Commission's other divisions. Expenditures are therefore allocated to the Harbor on a "proportion of employees" basis, in which personnel expenses are allocated proportionate to the percentage of employees in all other department divisions that would serve the new Harbor City.

The methodology used to estimate the number of positions providing service to the Harbor is as follows. The Community Services Division is comprised of Project Coordinators that manage the Commission's outreach efforts, initiatives, and programs. The Project Coordinators are not assigned to specific geographic areas but rather work on outreach, initiatives, and programs citywide. Given that the division's service area applies to the city at large, it is reasonable to apportion the division based on the Harbor's proportion of citywide population.

Non-salary personnel expenditures are also estimated based on the proportion of employees serving the Harbor.

Contractual Services

The department's appropriations for contractual service in fiscal year 2000-01 were \$198,004. It is assumed the new Harbor City would be allocated contractual services costs in proportion to the number of commission staff that would serve the new city.

Information Technology

The Information Technology Agency (ITA) has responsibility for the City's information technology and communications systems. In addition to managing these systems for all non-proprietary City departments, the department also regulates cable television providers to ensure these firms comply with the terms of franchise agreements.

Cost of Service for Information Technology Agency Personnel

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the ITA. The number of department staff that provide services to the proposed Harbor City can be estimated based on the estimated workload and service needs in the Harbor area. For fiscal year 2000-01 the department has 745 budgeted positions. The department is divided into 7 divisions, the functions of which are described in the table below.

INFORMATION TECHNOLOGY AGENCY INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Provides department-wide oversight and management.
Administrative Services Center	Responsible for budgeting, employee relations, payroll, internal support services and client training.
Applications Resource Bureau	Provides information technology services to the Fire, Police and select other departments; also develops City-wide project management standards.
Communications Services Center	Maintain radio, field dispatch, microwave, alarm, emergency field command post, and other critical City communications systems.
Enterprise Infrastructure Bureau	Provides data systems engineering and installation, telephone systems support, plans City efforts related to the City's Fiber Optic Network, networking systems support, and support of office automation systems.
Public/Private Enterprise Bureau	Oversees cable television franchises, monitors telecommunications service providers and services, and provides live coverage of and phone connections to City Council proceedings.
Systems Processing Bureau	Provides operational support for City Enterprise Servers, coordinates all information systems changes, provides system security, and operates the department's Helpdesk and Servicedesk.

The estimate of the number of staff in each departmental division providing service to the Harbor area is based on the proportion of employees in all City departments that provide services to the Harbor area. As discussed earlier in this report, that proportion is estimated to be 4.26%. It is therefore estimated that a total of 31.5 positions, or roughly 4.2% of the department's staff, provide services to the Harbor area, and the costs of these positions would be allocated to the proposed Harbor City.

**INFORMATION TECHNOLOGY AGENCY
DEPARTMENT POSITIONS SERVING THE HARBOR AREA**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management	Proportion of citywide employees	8	.25
Administrative Services Center	Proportion of citywide employees	43	1.75
Applications Resource Bureau	Proportion of citywide employees	137	5.75
Communications Services Center	Proportion of citywide employees	138	5.75
Enterprise Infrastructure Bureau	Proportion of citywide employees	251	10.75
Public/Private Enterprise Bureau	Proportion of citywide employees	34	1.50
Systems Processing Bureau	Proportion of citywide employees	134	5.75
Total		745	31.50

* Number of positions per division based on the 1999-00 organization chart. Discrepancies between the number of budgeted positions for fiscal year 2000-01 and the number of positions on the organization chart were reconciled to match the number of budgeted positions.

The department has also budgeted for several "as needed" positions for fiscal year 2000-01. It is assumed the Harbor City would also utilize "as needed" positions and a proportional amount of the cost for these positions would be allocated to the Harbor City based on the number of budgeted staff serving the area.

Non-salary personnel expenditures are also estimated based on the proportion of employees serving the Harbor.

Contractual Services

The department's fiscal year 2000-01 budget for contractual services is \$13.8 million. The department has ongoing contracts for several kinds of services, including telecommunications services, computer programming, technical training, and information technology project management. It is therefore assumed that the new Harbor City would be allocated the cost of contract services, and that the costs of these contract services can be estimated based on the percentage of department staff providing services to the Harbor.

Los Angeles Housing

The Los Angeles Housing Department has four program areas, housing development, rent, neighborhood revitalization, and enforcement. The housing development program provides loans to property owners and developers, facilitates construction processes, monitors grant funds allocated to the Community Redevelopment Agency for housing revitalization, and administers a HUD grant designed to reduce lead hazard. The department's rent program administers the Rent Stabilization Ordinance, collects annual registration fees from landlords, approves rent adjustments, operates the rent control telephone hot line, and investigates complaints of ordinance violations. The department's neighborhood revitalization program provides loans to homeowners in low and moderate-income areas, administers neighborhood recovery programs, participates in nuisance abatement, and administers various other housing programs that improve quality of life. A code enforcement program provides routine, periodic inspections of all multi-family rental properties in the City for basic code enforcement and habitability.

Distribution of Service Within the City

The Housing Department is housed in the DWP building located at 111 N. Hope Street in downtown Los Angeles. The department's Public Counter and all other department programs operate from this location, except the Neighborhood Revitalization Division's Neighborhood Preservation Program (NPP). The NPP works through five field offices, one of which serves the Harbor area. Each NPP field office handles loan packaging for applicants located in its geographic area.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Housing Department. The number of department staff that provide services to the Harbor area can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor area.

According to the City's fiscal year 2000-01 budget, the department is comprised of 377 positions. The department is comprised of seven divisions/units, the functions of which are described in the table below.

LOS ANGELES HOUSING DEPARTMENT INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Provides management services to the department.
Administrative Services	Responsible for the department's budget, inventory control, records retention, and operational support duties.
Asset Management	Manages the servicing of the department's loan portfolio.
Housing Development	Provides loans to property owners and developers to rehabilitate and or construct new housing using CDBG and HOME funds, low income housing tax credits, and tax exempt bonding authority.
Neighborhood Revitalization	Provides neighborhood preservation and recovery, housing services, and program services. Utilizes slum abatement techniques, loans and community organizing to improve quality of life.
El Sereno Field Office	Provides loan-packaging services to low income residents.
Harbor Field Office	Provides loan-packaging services to low income residents.
Valley Field Office	Provides loan-packaging services to low income residents.
Southwest Field Office	Provides loan-packaging services to low income residents.
Echo Park Field Office	Provides loan-packaging services to low income residents.
Rent Stabilization	Administers the City's Rent Stabilization Ordinance.
Enforcement	Administers programs to preserve the quality of housing stock and prevent dangerous, substandard or unsanitary and deficient conditions in residential buildings.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor area. Based on the fiscal year 2000-01 budget, as shown in the table below, it is estimated that a total of 16.25 positions provide service to the Harbor area. A special reorganization would thus result in the cost of 16.25 positions, or 4.3 percent of the department's staff, being allocated to the new Harbor City.

**LOS ANGELES HOUSING DEPARTMENT
ALLOCATION OF WORKLOAD AND STAFF**

<u>Unit</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	14	.50
Administrative Services	Proportion of employees	53	2.25
Asset Management	None	11	-
Housing Development	Proportion of housing stock	43	1.75
Neighborhood Revitalization	Proportion of housing stock	50	2.00
El Sereno Field Office	None	6	-
Harbor Field Office	None	5	5.00
Valley Field Office	None	6	-
Southwest Field Office	None	7	-
Echo Park Field Office	None	5	-
Rent Stabilization	Proportion of rental units	66	1.75
Enforcement	Proportion of rental units	111	3.00
Total		377	16.25

The methodology used to estimate the number of positions providing service to the Harbor area is as follows. The Management and the Administrative Services divisions primarily support the activities of the department's other divisions. Staffing is therefore a function of the total number of department staff, and these staffing costs can be apportioned using the department's estimated number of employees that would serve the new Harbor City.

The Housing Development Division provides loans to property owners and developers to rehabilitate and/or construct new housing projects utilizing CDBG and HOME funds, low income housing tax credits, and tax exempt bonding authority. Loans are provided for acquisition, predevelopment, construction, permanent financing (gap) and bridge loans. Given that the division's direct services focus on housing stock, its expenditures are apportioned using the Harbor area's proportion of the City's total housing stock. Using the Department of City Planning housing units data, it is estimated that 3.8 percent of the citywide housing units in 1998 were located in the Harbor area.

The Neighborhood Revitalization Division's central office also provides services focused on housing stock. The staffing cost of the central office is therefore allocated to the Harbor based on the proportion of housing stock in the Harbor. Through its Neighborhood Preservation Program (NPP), the division provides rehabilitation loans and it also administers various other programs intended to ensure neighborhood housing affordability, health, and safety. Each of the NPP's field offices provides loan-packaging services to low-income residents living in each office's geographic service

area. Therefore, the operating cost of the Harbor area field office would be allocated to the new Harbor City.

Both Housing Development and Neighborhood Revitalization Divisions administer loans using federal funds. According to documents provided by the City, the department has 8,002 loans in its portfolio, 356 (or 4.45 percent) of which are located in the Harbor area. Once loans are made, the Administrative Services division's Asset Management unit handles them. The Asset Management unit tracks and collects all loan repayments; manages loan workouts, subordinations and amendments; minimizes bad debt by handling foreclosures, bankruptcies, short sales, due-on-sale requirements, and probates; and reports on the status of the loan portfolio to the Mayor, City Council, and Controller. The existing loan portfolio, which was originally capitalized by federal grants, is an asset of the City and generates income for use on other projects of the City. It is uncertain whether the loan portfolio can be divested or whether any loan portfolio income can be diverted without approval by the granting agency. It is therefore assumed that the City will remain the custodian of the current loan portfolio, abiding by the grantor/grantee relationship assumed in the original grant agreement, and that the City would retain the cost of the current number of staff that comprise the Asset Management division. It is also assumed that the City will remain the custodian of the Mortgage Revenue Bonds administered by the Housing Development Division.

The Rent Stabilization Division administers the Rent Stabilization Ordinance, Chapter XV of the City of Los Angeles Municipal Code. The ordinance regulates rents to safeguard tenants from excessive rent increases, while providing landlords with reasonable returns from their rental units. The division's services concentrate solely on rental units. The level of service required in the Harbor area is therefore estimated according to the proportion of the City's total rental units. According to documents provided by the City, 11,543 (or 2.7 percent) of the City's 427,323 rental units that can be geographically categorized are located in the Harbor area.

Finally, the Enforcement Division works to preserve the quality of the City's existing rental housing stock and prevent the development of dangerous, substandard, unsanitary, and deficient conditions in residential building and dwelling units. Because of the division's focus on rental housing stock (the ordinance stipulates the enforcement of multifamily rental units with two or more units per parcel), it too is estimated to serve the Harbor area based on the proportion of the City's rental units.

Non-salary personnel expenditures are also estimated based on the proportion of employees serving the Harbor.

Contractual Services

The department budgeted \$2.5 million in contractual services for fiscal year 2000-01. It is assumed that the new Harbor City would be allocated the cost of contractual services in proportion to the number of employees that would serve the new city.

Mayor

The Mayor is the executive officer of the City, and exercises supervision over all of its affairs. The Mayor submits proposals and recommendations to the Office of the Mayor, approves or vetoes ordinances passed by the Office of the Mayor, and is active in enforcement of the ordinances of the City. The Mayor recommends and submits the annual budget and passes upon subsequent appropriations and transfers; appoints and may remove certain City officials and commissioners, subject to confirmation by the Office of the Mayor; secures cooperation between the departments of the City; receives and examines complaints made against officers and employees; and coordinates visits of foreign and domestic dignitaries with concerned public and private organizations.

Distribution of Service within City

All Office of the Mayor staff are located at City Hall in downtown Los Angeles. However, several services provided by these staff are carried out in geographically dispersed areas throughout the City. For example, the L.A. Business Team Program, which promotes development in key growth industries throughout the City by working to attract, expand and retain quality job-creating businesses, is operated by Office staff. The Mayor's Volunteer bureau, which seeks to maximize the use of volunteers throughout the city, is also administered through Office staff.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Mayor. Such an apportionment could be accomplished by allocating the cost of staff that, as of fiscal year 2000-01, provide services to the Harbor.

In order to estimate the number of department staff providing services to the Harbor, a review of the differing functions and mandates of the department has been undertaken. For fiscal year 2000-01, the Mayor has 74 budgeted positions, which includes the Mayor. The Mayor's office has a large amount of discretion as to the function of its various positions, and no formal position descriptions exist for the department.

The cost of Mayor staff is apportioned to the Harbor based on proportion of population citywide that resides in the Harbor, which is 3.98%. The rationale for this allocation methodology is that the Mayor's staff provide services directly to city residents, and therefore population provides the best measure of the level of service being provided in the Harbor. Based on this cost allocation methodology, a cost of 3 positions, or roughly 4.1% of the department's staff, would be allocated to the Harbor should a special reorganization occur.

Contractual Services

The contractual services expense for the Mayor is allocated to the Harbor City in proportion to the number of department personnel allocated to the new city.

Neighborhood Empowerment

The new City Charter established the Department of Neighborhood Empowerment (DONE) in 1999. The department is charged with the responsibility of promoting citizen participation in government and making government more responsible to local needs by developing a citywide system of Neighborhood Councils. The department prepares a Plan for a Citywide System of Neighborhood Councils, and it assists neighborhoods in preparing petitions for certification and organizing themselves in accordance with the Plan. Currently, the department is assisting in the formation of Neighborhood Councils.

Distribution of Service Within the City

The department's centralized services are provided through its main office located at 305 East First Street in Los Angeles. Currently, the department provides direct services to the community through four field offices, one of which is located at 638 S. Beacon Street, Room 210, in the San Pedro City Hall. Each of the field offices is staffed with Project Coordinators that have been distributed geographically by Area Planning Commission District. The Harbor area has been assigned one Project Coordinator that works from the Harbor area field office.

The current number of field offices, number of Project Coordinators, and geographic distribution formula of Project Coordinators may change upon adoption by the Mayor and Council of the proposed Citywide System of Neighborhood Councils Plan and the number of Neighborhood Councils certified once the Plan is adopted. Once the Plan is adopted, it is anticipated by the City that department budgets for future years will be substantially greater and farther reaching than the current year and will necessitate the expansion of services and staff to certify, educate, train, audit, and fund the Neighborhood Councils and attendant requirements.

Cost of Service

The department maintained 32 budgeted positions in fiscal year 2000-01. The department is comprised of six divisions, the functions of which are described in the table below.

DEPARTMENT OF NEIGHBORHOOD EMPOWERMENT INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Responsible for department-wide management.
Administrative Services Division	Manages the department's human resources, budget management and analysis, financial systems management and accounting functions.
Field Operations/Outreach Division	Responsible for education, training and organizing.
Certification and Compliance	Manages certification process and implementation.
Public Relations	Manages all program-related public relations.
Systems	Provides IT support to the department.

Given the department's unique role and structure – to represent intra-City areas through councils of local residents – a special reorganization would result in the department providing no services to the Harbor. No department staffing costs, therefore, would be allocated to the new Harbor City.

Personnel

The Personnel Department is responsible for City employee related services including recruitment, training, testing, promotions, transfers, and the removal of City employees. The department also administers the City's Rideshare Program, administers employee benefits, investigates and hears discrimination complaints and disciplinary action appeals, conducts pre-employment medical exams, administers the Workers' Compensation program, and provides medical care for persons in custody of the Police Department. The department is also responsible for administering the Human Resources Benefits budget.

Distribution of Service within the City

The Personnel Department is comprised of eight divisions that deliver human resources-related services to City departments. The majority of the department's staff is located in the Personnel building at 700 East Temple Street. The Occupational Health Services Division is located at 1401 West Sixth Street, and the Employee Benefits and Commuter Services arms of the Employee Services and Fiscal Operations Division are located at City Hall East.

The department provides two types of direct public services, which include job recruitment and medical care. Recruitment efforts consist of the dissemination of employment information at the following facilities: Constituent Services Center at 8475 South Vermont Avenue in Los Angeles; Valley One-Stop at 14546 Hamlin Street in Van Nuys; and Cypress Park Community Center at 929 Cypress Avenue in Los Angeles.

The department also provides medical services in the form of pre- and post-booking medical exams and evidentiary medical exams. These services are managed by the Custody Care unit that is located at 1401 West Sixth Street. Custody Care staffs three dispensaries located at City Jails located at Parker Center, 77th Street, and Van Nuys. Each dispensary services arrestees at the jail in which it is located.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Personnel Department. The number of department staff required to provide human resources-related services for the new Harbor City can be estimated based on the current geographical location of staff as well as the estimated workload and service needs in the Harbor area. For fiscal year 2000-01 the Personnel Department has 372 budgeted positions, of which 5 are Citizen Board Members.

**PERSONNEL DEPARTMENT
INTERNAL DIVISION FUNCTIONS**

<u>Division</u>	<u>Function</u>
Occupational Health Services	Handles all occupational-health related programs; Examines candidates for Police Reserves and provide care for members; provides care for prisoners and persons in custody in City jails; conduct med/psych exams for entry-level Police and Fire candidates.
Workers' Compensation	Manages City's Workers' Compensation claim workload and related issues; determines compensability; delivers benefits; manages costs and losses.
Public Safety Employment	Assists in LAPD/LAFD recruitment and examination-related issues; conducts background investigations for firefighter candidates; handles LAPD/LAFD executive recruitment.
Examining	Handles recruitment, civil service examinations, and background investigations; maintains civil service records; provides lists of eligible candidates to hiring departments.
EEO & Employment Development	Ensures EEO practices; conducts workforce planning; disseminates information on employee rights and obligations; conducts workforce planning and development survey.
Employee Services & Fiscal Operations	Administers the budget, accounting, purchasing, payroll and inventory systems of the Department; handles contracts, benefits, AQMD compliance, and fiscal operations for benefits.
Classification Services Group	Handles civil service classifications; provides personnel-related technical assistance to departments; handles transfers; reviews reinstatement requests; investigates out-of-class complaints.
Examination Development & Research Group	Handles civil service examination-related research; develops and administers civil service exams and exams for classes of Police, Firefighters and other departments.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division required to service the new Harbor City. The apportionment method applied to the department's divisions differs conceptually from that used in the majority of City departments because of the internal support function it provides. In general, apportionment is tied to the total number of employees citywide that would serve the new Harbor City.

As shown in the table below, it is estimated that a total of 13.5 positions would serve the new Harbor City. This estimate is based on an analysis of the fiscal year 2000-01 budget, and on a total of 367 budgeted non-Commissioner positions in the department. A special reorganization would result in the cost of 14.75 positions, or 4% of the department's staff, being allocated to the new Harbor City.

**PERSONNEL DEPARTMENT
ALLOCATION OF WORKLOAD AND STAFF**

<u>Unit</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management & Administration			
Management Services	Proportion of employees	8	.25
Admin. Support & Special Services	Proportion of employees	8	.25
Information Technology Group	Proportion of employees	7	.25
Divisions			
Occupational Health Services	Proportion of citywide employees	39	1.75
Hyperion Health Services	Not apportioned	1	-
Custody Care	Not apportioned	33	-
Workers' Compensation	Proportion of employees	102	4.25
Public Safety Employment	Average proportion of Police & Fire department staff allocated	47	3.00
Examining	Proportion of citywide employees	61	2.50
Employee Services & Fiscal Operations	Proportion of citywide employees	31	1.25
EEO & Employment Development	Proportion of citywide employees	16	.75
Classification Services Group	Proportion of citywide employees	8	.25
Examination Development & Research	Proportion of citywide employees	6	.25
Total		367	14.75

The methodology used to estimate the number of personnel providing service to the Harbor Area is as follows. The Management Services group, the Administrative Support and Special Services Group, and the Information Technology Group primarily support the activities of the department's eight divisions. Expenditures are therefore a function of the total number of department staff and can reasonably be apportioned using the department's estimated number of employees that would serve the new Harbor City.

The departmental divisions, excluding Public Safety Employment and the Custody Care arm and Hyperion Health Services unit of Occupational Health Services, are apportioned using the percent of total City employees that would serve the new Harbor City as part of the special reorganization. The divisions provide human resources-related services to all City departments and it is assumed that the current number of staff in each division represents optimal staff levels required to serve the City's personnel. Therefore, the percent of total employees that would provide services to the new Harbor City as part of the special reorganization provides a measure of the total expenditures in these divisions that would be allocated to the new Harbor City.

Expenditures in the Public Safety Employment Division are apportioned using the percent of Police and Fire Department staff that may serve the new Harbor City. This division is primarily devoted to providing recruitment, examination, and background investigation services for the Police and Fire Departments. Thus, the percent of Police and Fire Department personnel estimated to serve the new Harbor City provides a measure of the total expenditures in this division that would be allocated to the new Harbor City.

The Custody Care Medical Services group is a branch of the Occupational Health Services Division. Custody Care is comprised of 26 nurses and 14 physicians. One physician and one nurse administer the Custody Care program from the Occupational Health Services Division office downtown, while the remaining personnel staff three dispensaries located at Parker Center Jail, 77th Street Division Jail, and Van Nuys Jail. It is estimated that no positions within the Custody Care group work for the benefit of the Harbor area, and therefore no costs associated with those positions are to be allocated to the proposed new city.

Finally, the cost of the Hyperion Health Services unit of the Occupational Health Services Division, which is staffed by an Occupation Health Nurse, will not be apportioned and will remain under the control of the City. It is assumed that the Hyperion Plant will remain under the control of the City as well as the cost of City staff that provide service to Plant employees.

The department also has budgeted for several "as needed" positions for fiscal year 2000-01. It is assumed for the purposes of this fiscal analysis that the Harbor City would be served by "as needed" positions, and a proportional amount of the cost for these positions would be allocated to the Harbor City based on the number of budgeted staff serving the Harbor.

Non-salary personnel expenditures are also estimated based on the proportion of employees serving the Harbor.

Contractual Services

The Personnel Department contracts with outside vendors for employee training, advertising, systems development, executive recruitment, employee benefits consulting, discrimination investigation, benefits administration, contract hospitals, and physician services. It is assumed that the cost of these contracts is allocated to the new city in proportion to the number of employees that would serve the Harbor.

Planning

The Planning Department performs various functions related to the development of the City. It prepares and maintains a General Plan for the development of the City including such elements as land use, conservation, circulation, service systems, highways, public works facilities, branch administrative centers, schools, recreational facilities, and airports. It regulates the use of privately owned property through zoning regulations and state laws and through the approval of proposed subdivisions. It investigates and reports on applications for amendments to zoning regulations and handles zone variance applications. The department also conducts studies relating to environmental quality, and provides advice and assistance relative to environmental matters. The Planning Commission reviews all City requests for the acquisition of land for public use and the disposition of surplus land.

Distribution of Service Within City

The Planning Department generally performs two functions: (1) long-range planning and (2) case processing. Case processing essentially deals with the implementation of the long-range plan. The long-range planning function is performed at the department's downtown offices located at 221 North Figueroa Street. The department also operates two Public Counters, one in the San Fernando Valley located at 6251 Van Nuys Boulevard, and one in downtown Los Angeles at 201 North Figueroa Street. The Counters accept and review land use applications, administer issuance of Zoning Consistency Determination, and counsel applicants on all City requirements for development. The downtown Counter generally serves applicants with projects located in all areas of the City outside the Valley. The department has no offices in the Harbor special reorganization area.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Planning Department. The number of department staff that provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor.

However, because the planning function concerns fundamental issues of land use and development, the Harbor will need to exert a relatively higher level of policy oversight in this area at the outset than in other functional areas, even though the Harbor would (at least initially) continue using the City's General plan, zoning, and building codes. This will require that procedural mechanisms exist to ensure that Harbor administrative staff and/or policymakers (i.e., the city council) are able to make key policy decisions related to land use policies and specific development projects within the boundaries of the Harbor City.

According to the City's fiscal year 2000-01 budget the department had 306 positions, of which 49 are Commissioners. The department is comprised of ten divisions/units, the functions of which are described in the table below.

PLANNING DEPARTMENT INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Administrative Service Division	Provides administrative, personnel, financial and operational support to the Department.
Office of Zoning and Administration	Responsible for zoning-related issues.
Valley Planning Division	Handles all Valley-specific planning concerns and runs the Public Office.
West/Coastal Community Planning Division	Handles all West/Coastal-specific planning concerns and runs the Public Office.
Metro/East/South Community Planning Division	Handles all Metro/East/South-specific planning concerns and runs the Public Office.
Case Management	Assists in identifying plan entitlements, resolves issues between applicants and City Agencies, and assists applicants in case filing procedures.
General Plan/Zoning Consistency	Responsible for Plan Approvals, Site Plan Review cases, Development agreement Annual Reports, Zone Change revisions, Community plan and Zone Map review & Plan Consistency corrections.
Systems and GIS Division	Responsible for the Department's IT needs; implements PCTS; supports ZIMAS; Maintains and produces computer generated planning maps and automated maps.
Playa Vista	Provides support, including plot plan approval, permit sign-offs, etc. for projects pursuant to the Playa Vista Area D Specific Plan.
Airports	Provides support relevant to the LAX and Van Nuys Airport Master Plans.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division/unit providing service to the Harbor. Based on the fiscal year 2000-01 budget, as shown in the table below, it is estimated that a total of 6 positions provide service to the Harbor. A special reorganization would thus result in the cost of 6 positions, or 2.3% of the department's staff, being allocated to the new Harbor City.

**PLANNING DEPARTMENT
ALLOCATION OF WORKLOAD AND STAFF**

<u>Unit</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management & Related Services Division	Proportion of mgmt. to total staff	8	.25
Administrative Service Division	Proportion of administrative staff to total staff	33	.75
Office of Zoning and Administration	Harbor Plan. Div. proportion of Comm. Plan. Bureau	54	1.25
Citywide Planning Division	Harbor Plan. Div. proportion of Comm. Plan. Bureau	30	.75
Community Planning Bureau			
Valley Planning Division	Employee service area	24	-
West/Coastal Community Plan. Div.	Employee service area	17	-
Metro/East/South Comm. Plan. Div.	Employee service area	31	1.75
Case Management	Harbor Plan. Div. proportion of Comm. Plan. Bureau	8	.25
General Plan/Zoning Consistency	None-new City must create new position	1	-
Systems and GIS Division	Harbor Plan. Div. proportion of Comm. Plan. Bureau	44	1.00
Playa Vista	None	4	-
Airports	None	3	-
Total		257	6.00

The methodology used to estimate the number of positions providing service to the Harbor is as follows. The Management and the Administrative Services Divisions primarily support the activities of the department's other divisions. Expenditures are therefore a function of the total number of department staff and can reasonably be apportioned using the department's estimated number of employees estimated to serve the new Harbor City.

The Community Planning Bureau can be apportioned according to the geographic service area location of each of its three divisions: Valley, West/Coastal, and Metro/East/South. Each division generally serves the geographic location in which it is located. The Metro/East/South Community Planning division encompasses the Harbor special reorganization area, but also encompasses a far larger portion of Los Angeles. Analysis of City organization charts indicates that the "South" portion of the Metro/East/South division is served by 8 of the division's 31 positions. Given that the "South" portion of the division alone is larger than the Harbor special reorganization area, further analysis using U.S. Census data indicated that in 1990, roughly 5.9% of the population in the "South" portion of the division was located in the Harbor special reorganization area. Applying this percentage to the 8 positions serving the "South" portion of the division results in an apportionment of the cost of approximately two positions from the division to the new Harbor City.

The Citywide Planning, Case Management, and Systems/GIS Divisions can be apportioned using the Harbor Planning Division's proportion of the Community Planning Bureau. It is assumed that the Harbor Planning Division's proportion of staff is an indicator of the personnel expenditures required to implement and process the Harbor's planning-related needs.

City of Los Angeles Community Police Stations

The General Plan/Zoning Consistency unit is comprised of one City Planner and a proportionate share of the costs associated with the planner would be apportioned.

The Playa Vista Major Project personnel are committed to Playa Vista planning-related issues and therefore all of its costs will remain with the City of Los Angeles. The workload of the Airport division is primarily dedicated to the LAX Master Plan and therefore all of its costs will remain with the City.

Non-salary personnel expenditures are also estimated based on the proportion of employees estimated to serve the Harbor.

Contractual Services

The department budgeted \$14.6 million in contractual services for fiscal year 2000-01. It is assumed that the new Harbor City would be allocated the cost of contractual services in proportion to the number of employees that would serve the new city.



Police

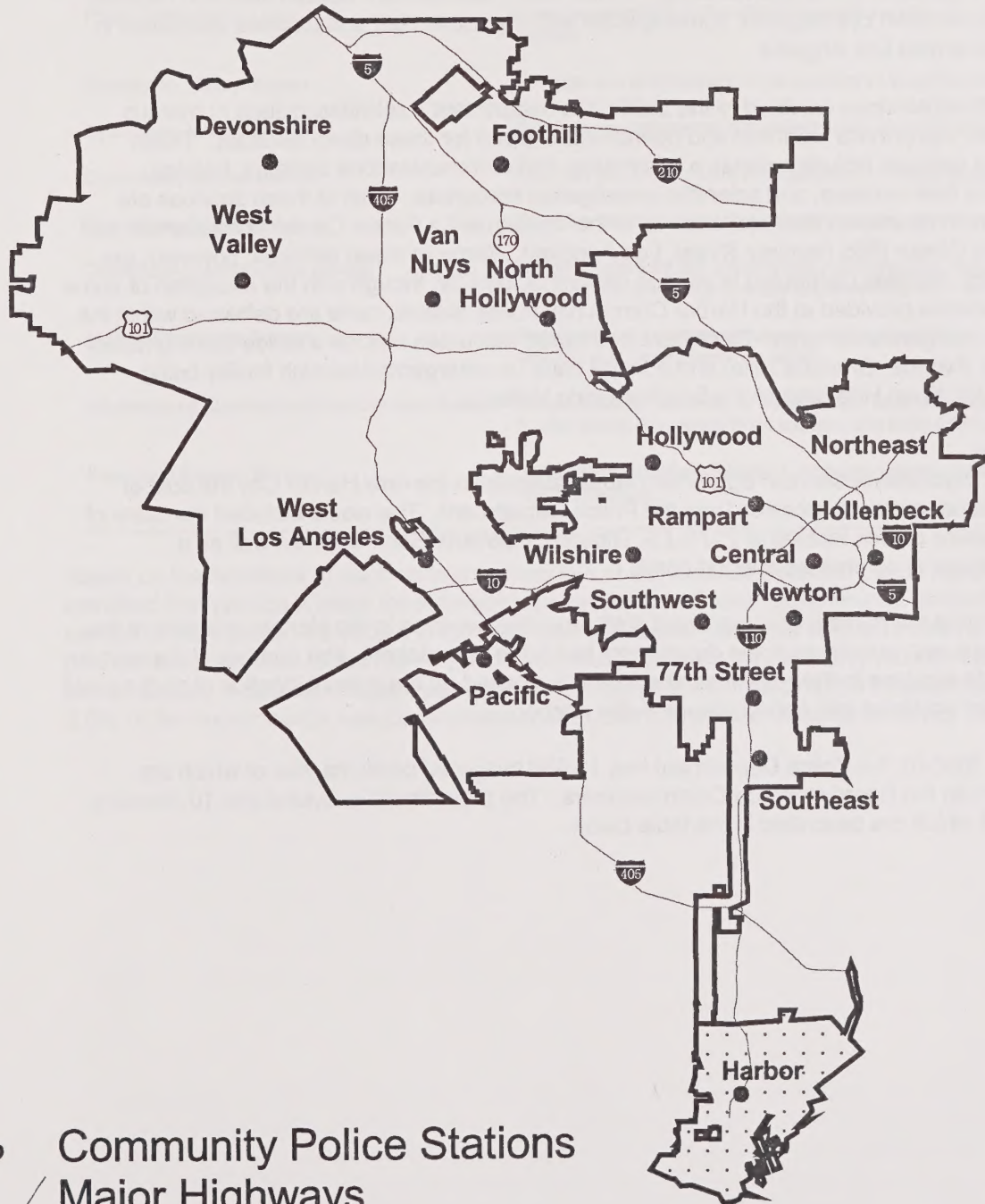
The Police Department is the primary law enforcement agency for the City of Los Angeles. Its functions include patrol, preventing and investigating crime, and enforcing traffic laws.

Distribution of Service within City

The activities of the Police Department can be divided into two broad categories: direct services provided to the public, and indirect services that provide technical and operational support for these direct services. The direct services are carried out through the department's geographically dispersed Operations Bureaus, called "Area" Bureaus, and through the Headquarters Operations Bureau, which is based at the department's Parker Center headquarters building in downtown Los Angeles (150 N. Los Angeles Street). There are 4 Area Bureaus – West, Central, South, and Valley – and each is responsible for day-to-day law enforcement within a specific region of the City. Each Area Bureau has between 4 and 5 community police stations. The South Operations Bureau, which has 4 police stations, includes the Harbor Community Police Station (2175 John S. Gibson Boulevard, San Pedro), and this station's service area encompasses the Harbor special reorganization area.¹⁵

¹⁵ The department also operates two "drop-in" offices in the Harbor area that are open for several hours one day per week. These include the Wilmington Service Center (309 W. Opp Street, Wilmington), and the Harbor City Service Center (1522 W. Pacific Coast Highway, Harbor City).

City of Los Angeles Community Police Stations



● Community Police Stations

Major Highways

Harbor Special Reorganization Area

City of Los Angeles

The Headquarters Operations Bureau serves the entire City, providing both support to the Area Bureaus and specialized law enforcement resources in such areas as financial crimes, armed robbery and homicide, organized crime, and narcotics. While most Headquarters Bureau staff and facilities are located in downtown Los Angeles, some specific activities have staff and facilities distributed in various regions across Los Angeles.

In addition to direct services provided to the public, the department's activities include numerous indirect services that provide technical and operational support for these direct services. These indirect support services include extensive information and communications systems, training facilities, vehicle fleet services, and scientific investigation resources. Most of these services are centrally located in downtown facilities, such as in the department's Parker Center headquarters and Piper Technical Center (555 Ramirez Street, Los Angeles). Some of these services, however, are delivered through facilities distributed in various regions of the City, though with the exception of some vehicle fleet services provided at the Harbor Community Police Station, none are delivered within the Harbor special reorganization area. Significant distributed resources include a police training facility (12001 Blucher Avenue, Granada Hills) and a major back up emergency/dispatch facility being constructed in the West Hills area of the San Fernando Valley.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Police Department. The would included the costs of operating the police station located at 2175 J.S. Gibson Boulevard, San Pedro, as well as a proportionate share of centralized support costs.

In order to estimate the number of department staff providing services to the Harbor, a review of the differing functions and mandates of the department has been undertaken. The number of department staff that provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor.

For fiscal year 2000-01 the Police Department has 13,650 budgeted positions, five of which are Commissioners on the Board of Police Commissioners. The department is divided into 10 divisions, the functions of which are described in the table below.

POLICE DEPARTMENT INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Office of the Chief of Police	Manages the department's daily operations.
Police Commission	Provides oversight of department operations and sets department policies.
Operations, Valley Bureau	Provides law enforcement in department's Valley Bureau area.
Operations, West Bureau	Provides law enforcement in department's West Bureau area.
Operations, Central Bureau	Provides law enforcement in department's Central Bureau area.
Operations, South Bureau	Provides law enforcement in department's South Bureau area.
Operations, Headquarters Bureau	Provides specialty law enforcement resources and supports the operations of the geographically dispersed Operations Bureaus.
Human Resources Bureau	Responsible for personnel issues, employee relations, employee training, and psychological services.
Information & Communications Services Bureau	Responsible for department's information technology systems, 9-1-1 Public Safety Answering Point system, and radio communications.
Fiscal and Support Bureau	Administers department budget; manages payroll, facilities, evidence and purchasing.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 496.75 positions provide direct services to the Harbor, excluding those positions that currently provide indirect services to the Harbor. A special reorganization would thus result in the cost of 496.75 positions, or roughly 3.6% of the department's non-Commissioner staff, being allocated to the new Harbor City.

**POLICE DEPARTMENT
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Office of the Chief of Police	Proportion of employees	835	30.00
Police Commission	Proportion of employees	65	2.00
Operations, Valley Bureau	Location of employees/service area	2,062	-
Operations, West Bureau	Location of employees/service area	1,750	-
Operations, Central Bureau	Location of employees/service area	1,920	-
Operations, South Bureau	Location of employees/service area	1,754	273.00
Operations, Headquarters Bureau	Proportion of employees	2,259	82.25
Human Resources Bureau	Proportion of employees	807	30.00
Information & Comm. Services Bureau	Proportion of employees	744	272.50
Fiscal and Support Bureau	Proportion of employees	1,449	53.00
Total		13,645	496.75

* Number of positions per division based on the 1999-00 organization chart and excludes five Commissioners. Discrepancies between the number of budgeted positions for fiscal year 2000-01 and the number of positions on the organization chart were reconciled to match the number of budgeted positions.

The methodology used to estimate the number of positions providing service to the Harbor is as follows. For staff in the four Area Operations Bureaus (Valley, West, Central, and South), the apportionment method used is based on employee location and Bureau service area. As discussed above, the service area of the South Bureau's Harbor Community Police Station encompasses the Harbor area. It also extends beyond the Harbor special reorganization area, however, and includes the region known as Harbor Gateway as well. In order to adjust for these disparate boundaries and make a proportionate apportionment of staff, analysis was undertaken utilizing U.S. Census data indicating that as of 1990, roughly 83.6% of the population within the service area of the Harbor Community Police Station resided within the Harbor special reorganization area. Thus 83.6% of the cost of Harbor Community Police Station staff, or 272.5 positions, would be allocated to the new Harbor City. As of fiscal year 1999-00, these 272.5 positions made up 3.65% of the 7,486 positions assigned to the four Area Operations Bureaus.

For the remaining divisions within the department, the number of positions providing service to the Harbor is estimated based on the proportion of employees in the department's Area Operations Bureaus providing services to the Harbor. The rationale for this apportionment is that much of the workload for these divisions involves supporting the activities of the department's four Area Operations Bureaus, who provide the bulk of the department's direct services. Thus the number of staff providing services to the Harbor as a percentage of all Area Operations Bureau staff (3.65%) provides a measure of the percentage of positions in these support divisions providing services to the Harbor.

The Police Department has also budgeted for a small number of “as needed “ positions. A proportional amount of the cost for these positions is assumed to be allocated to the Harbor City in proportion to the number of budgeted staff estimated to serve the Harbor.

Contractual Services

The department's fiscal year 2000-01 budget for contractual services is roughly \$8.4 million, virtually all of which is for information technology services. It is assumed that a proportional share of the cost of contractual services would be allocated to the new Harbor City, based on the number of employees estimated to provide services to the Harbor City.

Public Works – Board of Public Works

The Board of Public Works manages the Department of Public Works and is responsible for the department's seven Bureaus: Accounting, Contract Administration, Engineering, Management-Employee Services, Sanitation, Street Lighting, and Street Services.¹⁶ Public Works is the only City department managed by a full-time policymaking board, which consists of five members appointed to five-year terms. In addition to its department-wide policymaking role, the Board receives bids and awards contracts, coordinates graffiti removal and neighborhood clean-ups, provides the department's public relations, and oversees the restoration of certain City landmarks.

Distribution of Service within City

The Board has six downtown Los Angeles offices that house all of its employees, with most employees located at its main office at 433 S. Spring Street. The only geographically dispersed service the Board provides is Operation Clean Sweep (OCS), which provides graffiti and litter removal services through contracts with 15 community-based organizations. Each organization is responsible for providing these services within a designated service area. (These services are discussed in greater detail in the "Contractual Services" subsection below.)

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Board of Public Works. The number of Board staff that provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor.

For fiscal year 2000-01 the Board has 63 budgeted positions, five of which are Board Commissioners. The Board is divided into 6 divisions, the functions of which are described in the table below.

PUBLIC WORKS – BOARD OF PUBLIC WORKS INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Provides overall department oversight and management.
Project Restore	Oversees restoration of City Hall and other cultural landmarks.
Board Secretariat	Organizes and administers Board Office functions, including preparing agendas for Board meetings, receives bids for projects, etc.
Office of Strategic Planning	Responsible for the department's continuous strategic planning process.
Operation Clean Sweep	Coordinates citywide community clean-up and anti-graffiti efforts.
Public Affairs Office	Responsible for public relations, media information, and education programs that describe department activities.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each division providing service to the Harbor. As shown in the table below, it is estimated that a total of 1.25 positions provides service to the Harbor. A special reorganization would thus result in the cost of 1.25 positions, or roughly 2.2% of the Board's non-Commissioner staff, being allocated to the new Harbor City.

¹⁶ Effective July 1, 2000, the number of Bureaus in the Department of Public Works was reduced from seven to six, consisting of five of the Bureaus that existed previously – Contract Administration, Engineering, Sanitation, Street Lighting, and Street Services – and a newly created Bureau of Finance and Human Services. This new Bureau, which is headed by the newly created position of Director of Public Works, subsumed the Bureaus of Accounting and Management-Employee Services. This report analyzes the department in terms of the prior 7-Bureau structure, but the analysis and results presented apply equally to the new 6-Bureau structure.

**PUBLIC WORKS – BOARD OF PUBLIC WORKS
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	5	-
Project Restore	Proportion of employees	2	-
Board Secretariat	Proportion of employees (adjusted)	16	.50
Office of Strategic Planning	Proportion of employees	4	-
Operation Clean Sweep	Proportion of employees	13	.25
Public Affairs Office	Proportion of employees	18	.50
Total		58	1.25

*Positions per division based on the Board's 1999-00 organization chart. Discrepancies between the total number of budgeted positions in fiscal year 2000-01 and the number of positions shown on the organization chart were reconciled to match the budgeted number.

All personnel expenditures in the Board are apportioned to the new Harbor City based on the proportion of employees in four separate Bureaus within the Department of Public Works – Engineering, Sanitation, Street Lighting, and Street Services – that would serve the Harbor. The logic of this apportionment is that the Board's workload is ultimately the result of the activities carried out by these four Bureaus. Thus the percentage of staff in these four Bureaus that provide services to the Harbor is a reasonable indicator of the percentage of Board staff providing services to the Harbor.

Contractual Services

The Board's fiscal year 2000-01 budget for contractual services is \$3.5 million. For that fiscal year, the only service for which the Board contracted for services was graffiti removal. It is assumed that the new Harbor City will require similar contract services, and that the costs of these contract services can be estimated based on the percentage of Bureau staff providing services to the Harbor (2.2%, as calculated above).

Public Works – Bureau of Accounting

The Bureau of Accounting provides accounting and financial services that support the operations of the Department of Public Works. The Bureau's services include general and cost accounting, special fund and project accounting, the processing of various fees, and the development and implementation of accounting and financial information systems.

Distribution of Service within City

The Bureau's activities can be divided into two categories: (1) indirect (i.e., internal support) services for the Department of Public Works; and (2) direct services to the public for Public Works-related billing and payments.

Most of the Bureau's activities take the form of indirect services: i.e., providing accounting and financial services that support the operations of the Department of Public Works. This includes such services as payroll, cost accounting, special funds accounting, and accrual accounting for the City's Sewer Construction and Maintenance Fund. The Bureau provides these indirect services from seven offices, six of which are located in downtown Los Angeles (Bureau headquarters are at 316 W. 2nd Street). The Bureau's only non-downtown office is within the Hyperion Wastewater Treatment Plant facility, located at 12000 Vista Del Mar, Playa Del Rey.

The Bureau also provides some direct services to the public, primarily from its downtown headquarters at 316 W. 2nd Street. These services include processing of payments owed by Public Works to vendors and service providers, processing bills owed the City for services provided by Public Works, and industrial waste billings.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Bureau of Accounting. The number of Bureau staff that provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor.

For fiscal year 2000-01 the Bureau has 84 budgeted positions. The Bureau is divided into 7 divisions, the functions of which are described in the table below.

**PUBLIC WORKS – BUREAU OF ACCOUNTING
INTERNAL DIVISION FUNCTIONS**

Division	Function
Management	Responsible for Bureau-wide management and oversight.
Cost Accounting	Responsible for calculating the costs of services rendered by all Bureaus.
General Accounting	Responsible for payroll, accounts receivable, accounts payable, and budgetary accounting.
Special Funds and Projects	Performs budgetary and accounting functions for the Sewer Construction and Maintenance Fund, the Gas Tax, and various other special funds.
Systems	Responsible for Department-wide financial and cost accounting systems.
Sewer Construction & Maintenance Fund Accounting	Performs accounting functions necessary to maintain the Sewer Construction and Maintenance Fund on an enterprise accounting basis; also prepares billings to contractual agencies for shared use of City sewer facilities.
Administrative Services	Provides administrative and clerical support to the Bureau, including budgeting, workload analysis, and work programs.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each division providing service to the Harbor. As shown in the table below, it is estimated that a total of two positions provide service to the Harbor. A special reorganization would thus result in the cost of two positions, or roughly 2.4% of the Bureau's staff, being allocated to the new Harbor City.

**PUBLIC WORKS – BUREAU OF ACCOUNTING
ALLOCATION OF WORKLOAD AND PERSONNEL**

Division	Allocation Method	Positions*	Harbor Allocation
Management	Proportion of employees	5	-
Cost Accounting	Proportion of employees	14	.25
General Accounting	Proportion of employees	29	.75
Special Funds and Projects	Proportion of employees	19	.50
Systems	Proportion of employees	9	.25
Sewer Construction & Maintenance Fund Accounting	Proportion of employees	7	.25
Administrative Services	Proportion of employees	1	-
Total		84	2.00

*Positions per division based on the Bureau's 1999-00 organization chart. Discrepancies between the total number of budgeted positions for fiscal year 2000-01 and the number of positions shown on the organization chart were reconciled to match the budgeted number.

All positions in the Bureau are apportioned to the new Harbor City based on the proportion of employees in four other Bureaus within the Department of Public Works – Engineering, Sanitation, Street Lighting, and Street Services – that provide services to the Harbor. The logic of this

apportionment is that the Bureau of Accounting's workload is ultimately the result of the activities carried out by these four Bureaus. Thus the percentage of staff in these four Bureaus that provide services to the Harbor is a reasonable indicator of the percentage of Bureau of Accounting staff providing services to the Harbor.

Contractual Services

During fiscal year 2000-01, the Bureau of Accounting budgeted \$47,080 for contractual services. It is assumed that the new Harbor City would be allocated the cost of contractual services in proportion to the number of employees that would serve the new city.

Public Works – Contract Administration

The Bureau of Contract Administration inspects the City's public works projects. This includes inspecting the materials and construction of all projects within the public right-of-way within the City of Los Angeles. The Bureau also administers contracts and permits related to construction of public works, and ensures that projects comply with state and local work performance laws (e.g., plan specification laws, affirmative action, and prevailing wage).

Distribution of Service within City

The Bureau provides indirect services only, supporting the operations of the Department of Public Works and providing limited support for several other City departments. To deliver these services, the Bureau divides the City geographically into two regions: "Harbor" and "Metro." These two regions are further subdivided into 10 "Districts," two of which are in the "Harbor" region. The boundaries of the "Harbor" region conform closely to the boundaries of the Harbor special reorganization area, although the Bureau's "Harbor" region is somewhat larger.

The Bureau carries out its activities from seven offices throughout Los Angeles, with its headquarters located downtown at 600 S. Spring Street. District 1, which is the Harbor District, is located at 638 Beacon Street, San Pedro.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Bureau of Contract Administration. The number of Bureau staff that provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor.

For fiscal year 2000-01 the Bureau has 331 budgeted positions. It is divided into 8 divisions, the functions of which are described in the table below.

PUBLIC WORKS – BUREAU OF CONTRACT ADMINISTRATION INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Management	Responsible for Bureau-wide management and oversight.
Environmental Projects Construction	Administers and inspects activities on City wastewater construction projects.
Metro Construction	Performs contract administration and inspection for construction projects in the Los Angeles metropolitan area.
Valley Construction Division	Performs contract administration and inspection for construction projects in the northern portion of the City (e.g. the Valley and Griffith Park).
Special Construction Division	Responsible for specialized construction inspection activities throughout the City.
General Services	Provides specialized construction inspection and control services for construction operations.
Office of Contract Compliance	Monitors contract compliance on City projects with respect to affirmative action, prevailing wage rates, and other requirements.
Administrative Services	Provides information systems and clerical support, and is responsible for several administrative and budgetary functions.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each division providing service to the

Harbor. As shown in the table below, it is estimated that a total of 11.75 positions provide service to the Harbor. A special reorganization would thus result in the cost of 11.75 positions, or roughly 3.6% of the Board's staff, being allocated to the new Harbor City.

**PUBLIC WORKS – BUREAU OF CONTRACT ADMINISTRATION
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	6	.25
Environmental Projects Construction	Proportion of employees	49	1.25
Metro Construction	Location of employees	45	5.75
Valley Construction Division	Location of employees	53	-
Special Construction Division	Proportion of employees	51	1.25
General Services	Proportion of employees	59	1.50
Office of Contract Compliance	Proportion of employees	39	1.00
Administrative Services	Proportion of employees	29	.75
Total		331	11.75

*Positions per division based on the Bureau's 1999-00 organization chart. Discrepancies between the total number of budgeted positions and the number of positions shown on the organization chart were reconciled to match the budgeted number.

The methodology used to estimate the number of positions providing service to the Harbor is as follows. For positions in two divisions – Valley Construction and Metro Construction – the apportionment method is based on the geographic service area to which the positions are assigned. The Metro Construction region includes the Harbor District, which is one of six Districts in the department's Metro region. To estimate the number of positions providing service to the Harbor special reorganization area, two assumptions are made. First, that staff resources are distributed equally across the Metro region's six Districts, and thus one-sixth (16.7%) of staff are assigned to the Harbor District. And second, that roughly 75% of the staff resources assigned to the Harbor District provide services specifically to the Harbor special reorganization area. This second assumption is made because the Harbor special reorganization area comprises roughly 75% of the land area of the department's Harbor District, and it is assumed that personnel are deployed proportionately across the District.

For the positions in the Bureau's remaining divisions, the apportionment is based on the proportion of employees in four other Bureaus within the Department of Public Works – Engineering, Sanitation, Street Lighting, and Street Services – that are allocated to the Harbor. The logic of this apportionment is that the Bureau of Contract Administration workload is ultimately the result of the activities carried out by these four Bureaus. Thus the percentage of staff in these four Bureaus that provide services to the Harbor is a reasonable indicator of the percentage of Bureau of Contract Administration staff that would provide services to the Harbor.

Contractual Services

During fiscal year 2000-01, the Bureau of Contract Administration budgeted \$111,617 for contractual services. It is assumed that the new Harbor City would be allocated the cost of contractual services in proportion to the number of employees that would serve the new city.

Public Works – Bureau of Engineering

The Bureau of Engineering provides engineering services for City public works projects. It also provides engineering-related assistance and project oversight on private development projects that affect public right-of-ways or public facilities.

Distribution of Service within City

In describing where and how the Bureau delivers services, it is useful to divide its activities into two categories: (1) indirect support services that include the design, construction and oversight of public works projects such as public buildings, wastewater and stormwater facilities, and City streets; and (2) direct services to the public in the form of issuing permits and checking plans related to private development projects that affect public right-of-ways and public facilities.

Indirect Services

The Bureau's indirect support functions include a wide range of engineering services performed primarily to support the activities of other bureaus within the Public Works Department or other City departments. Within Public Works, the Bureau designs and constructs the City's major sewer rehabilitation and replacement projects, flood control Capital Improvement Program (CIP) projects, and street CIP projects. In projects supporting the operations of other City departments, the Bureau is taking a lead role in providing engineering services on major construction and rehabilitation projects involving the City's libraries, police facilities, zoo facilities, and Proposition K-funded recreational facilities.

To carry out these indirect support functions, the Bureau divides the City geographically into four "Districts": Metro, Valley, West Los Angeles, and Harbor. The Bureau's "Harbor" District encompasses the Harbor special reorganization area, with the Harbor special reorganization area comprising roughly 75% of the Harbor District's land area. The Bureau deploys staff at numerous offices citywide within each of these districts. Most staff providing indirect support services are based in downtown Los Angeles offices, particularly in the Bureau's headquarters located at 650 S. Spring Street. The Bureau's sole office in the Harbor, the Harbor District Office located at 638 S. Beacon Street, San Pedro, also houses staff that provide indirect support services.

Direct Services

The direct services the Bureau provides to the public include issuing permits and plan checking for private development projects that either extend into public right-of-ways or affect public infrastructure. Examples of such projects include the installation of sewers and storm drains, the excavation of public property, and the modification of streets or sidewalks. The Bureau delivers these direct services through numerous "Public Counters" where the public meets directly with Bureau personnel. These Public Counters are located both at several of the Bureau's primary downtown offices and at each of its district offices, including the Harbor District Office in San Pedro.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Bureau of Engineering. The estimated cost of providing department services in the Harbor has been based on the number of department personnel that, as of fiscal year 2000-01, provide services to the Harbor, with the exception of expenditures related to personnel whose functions involve the City's wastewater system. (It is assumed that the costs of wastewater-related services would be borne directly by Harbor residents through wastewater service fees.)

The number of department staff that, as of fiscal year 2000-01, provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor. For fiscal year 2000-01 the Bureau has 976 budgeted positions. It is divided into 7 divisions, the functions of which are described in the table below.

**PUBLIC WORKS – BUREAU OF ENGINEERING
INTERNAL DIVISION FUNCTIONS**

<u>Division</u>	<u>Function</u>
Management	Provides overall oversight and management of the Bureau.
Bond Program	Responsible for managing the seismic rehabilitation of City Hall, rehabilitation and construction of City libraries, rehabilitation of Los Angeles Zoo, rehabilitation of police facilities, and for Seismic Bond projects.
Wastewater Program	Responsible for design, construction management, and project management related to City sewer system and facilities.
Street Stormwater Program	Responsible for design, construction management, and project management related to City stormwater and flood control projects and facilities.
A/E Consulting Services Program	Provides engineering consulting services to other design offices within the Bureau and to other City departments.
Constituent Services & Permits Program	Responsible for issuing construction-related permits for projects in public right of ways; provides various engineering services to various geographic areas throughout City.
Finance and Administration Program	Responsible for Bureau's budget, human resources, information systems, and various other support services.

As discussed above, it is envisioned that all of the costs related to the Bureau's wastewater personnel would remain within the City of Los Angeles. Thus the estimate of the number of employees providing services to the Harbor does not include positions from the Wastewater Program divisions. For the other divisions in the Bureau, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 39.5 positions provide service to the Harbor. A special reorganization would thus result in the cost of 39.5 positions, or roughly 4.1% of the department's staff, being allocated to the new Harbor City.

**PUBLIC WORKS – BUREAU OF ENGINEERING
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	11	-
Bond Program	Location of projects/Proportion of employees	74	1.75
Wastewater Program	Staff not allocated	224	-
Street Stormwater Program	SPAC revenue distribution	53	1.75
Constituent Services & Permits Program	Location of employees/Proportion of employees	212	19.75
A/E Consulting Services Program	Proportion of employees	291	11.75
Finance and Administration Program	Proportion of employees	111	4.5
Total		976	39.5

* Positions per division based on the Bureau's 2000-01 organization chart. Discrepancies between the total number of budgeted positions in 2000-01 and the number of positions shown on the organization chart were reconciled to match the budgeted number.

The methodology used to estimate the number of positions providing service to the Harbor is as follows. For the Bond Program division, two separate methodologies are used for two differing types of staff positions. The first methodology is for those positions assigned to an intra-division group responsible for specific facilities. These facility-specific groups include the following: City Hall Seismic Rehabilitation, Library Facilities Program, Police Facilities Group, Zoo Facilities Group, and Seismic Bond Group. For these positions, the apportionment method is based on the geographic location of projects: specifically, the percentage of all Municipal Facilities Engineering Program projects located in the Harbor.¹⁷ For example, of the 257 Seismic/FEMA funded projects listed in the Municipal Facilities Program, 22, or 8.6%, are located in the Harbor. It is therefore estimated that 8.6% of the staff positions in the Seismic Bond group provide services to the Harbor, and the cost of these positions would be apportioned to the new Harbor City. The same apportionment logic is applied to each of the facility-specific groups within the Bond Program.

A different apportionment methodology is applied to positions in the Bond Program not assigned to projects on specific facilities. These positions, which are associated with overall division management, are apportioned to the new Harbor City on a "proportion of employees" basis by applying the percentage of facility-specific positions (2.7%) as calculated above. The logic of this apportionment is that the Bond Program's management positions primarily support the division's operations, which consist of the facility-specific groups listed above providing engineering services. Since 2.7% of all facility-specific positions provide services to the Harbor, it is estimated that the same percentage of the division's management-related positions provide services to the Harbor.

¹⁷ The Municipal Facilities Engineering Program is responsible for the design of all capital improvements to buildings and parking lots that fall under the jurisdiction of Council Controlled Departments, with the exception of wastewater facilities.

Like the Bond Program division, the Constituent Services and Permit Program division also consists of two groups of positions that require separate apportionment methodologies. The first group consists of “geographically distributed” positions, which are those assigned to offices that serve a particular geographic area of the City. As of fiscal year 1999-00, a total of 127 positions fall into this category. Of these positions, 12, or 9.2%, are assigned to the Harbor District Office. Because these 12 positions are located in and serve the Harbor, their cost is apportioned to the new Harbor City.

The second group consists of positions either located in downtown offices or assigned to units that serve the entire City. For these “non-distributed” positions, “proportion of employees” is the apportionment basis; it is calculated by multiplying the percentage of all geographically distributed positions estimated to serve the Harbor (9.2%, as calculated above) by the number of non-distributed positions (85). This totals roughly 8 positions. The cost of these roughly 8 positions are added to the 12 positions already apportioned, for a total of approximately 20 positions apportioned to the new Harbor City. The logic of this apportionment is that the percentage of geographically distributed positions located in the Harbor is a reasonable estimate of the degree to which the division’s non-distributed positions provide services to the Harbor. Since 9.2% of all geographically distributed positions are located in the Harbor, this same percentage factor is applied to apportion the cost of the division’s 85 non-distributed positions.

For the Street Stormwater Program division, positions are apportioned to the Harbor based on the geographic distribution of revenue the City collects from Stormwater Pollution Abatement Charge (SPAC). The SPAC is assessed on all properties in the City in order to treat and abate stormwater. The charge is based on the amount and kind of stormwater runoff a property generates, and is calculated as a function of property size and land use. According to City data, the Harbor generated 3% of all SPAC revenues in fiscal year 1998-99. Thus 3% of all Street Stormwater division personnel expenditures would be apportioned to the new Harbor City. The assumption underlying this apportionment is that the regional distribution of SPAC revenues provides a reasonable assessment of stormwater-related service needs in a new Harbor City.

Finally, for the Bureau’s remaining three divisions – Management, A/E Consulting Services, and Finance and Administration – the number of positions providing service to the Harbor is estimated based on the proportion of employees in the Bureau’s other divisions providing services to the Harbor. These three divisions primarily provide internal support for the Bureau’s four service-providing divisions – Bond Program, Constituent Services and Permits, Wastewater, and Street Stormwater. Thus the proportion of employees in the four service-providing divisions that serve the Harbor is a measure of the number of Harbor-serving positions in the three support divisions.

Contractual Services

The Bureau’s fiscal year 2000-01 budget for contractual services is roughly \$2.3 million. The Bureau contracts for both physical construction services and for several kinds of non-construction technical services (e.g., environmental and geotechnical engineering services). It is assumed that the new Harbor City would be allocated the cost of contract services, and that the costs of these contract services can be estimated based on the percentage of Bureau staff providing services to the Harbor (4.1%, as calculated above).

Public Works – Bureau of Management-Employee Services

The Bureau of Management-Employee Services administers the personnel management program of the Department of Public Works. The Bureau's primary functions relate to the selection, placement, promotion, and evaluation of employees. The Bureau also ensures compliance with civil service rules and departmental personnel rules.

Distribution of Service within City

The Bureau of Management-Employee Services provides indirect services only, supporting the other Bureaus within the Public Works Department on personnel issues such as employee discipline, "Meet and Confer" grievances, and Unfair Employee Relations Practice Claims. The Bureau provides these services primarily from its downtown headquarters office located at 433 S. Spring Street. A limited number of Bureau staff are based at the Hyperion Treatment Plant, located at 12000 Vista Del Mar Boulevard, Playa Del Rey.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Bureau. Such an apportionment could be provided by allocating the costs of department staff that, as of fiscal year 2000-01, provide services to the Harbor. The number of Bureau staff that provide services to the Harbor can be estimated based on the estimated workload and service needs in the Harbor.

For fiscal year 2000-01 the Bureau has 24 budgeted positions. It is divided into 3 divisions, the functions of which are described in the table below.

PUBLIC WORKS – BUREAU OF MANAGEMENT-EMPLOYEE SERVICES INTERNAL DIVISION FUNCTIONS

<u>Division</u>	<u>Function</u>
Executive Office	Provides Bureau-wide management and oversight.
Employee Relations	Responsible for "Meet and Confer" process, MOU interpretation, Unfair Employee Relations Practice claims, and other employee relations issues; also provides Bureau-wide administrative and clerical support.
Liaison/Employment Services	Administers employee discipline, special personnel investigations, drug/alcohol abuse programs, and other personnel issues.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each division providing service to the Harbor. As shown in the table below, it is estimated that a total of .5 positions provides service to the Harbor. A special reorganization would thus result in the cost of .5 positions, or roughly 2.1% of the Bureau's staff, being allocated to the new Harbor City.

**PUBLIC WORKS – BUREAU MANAGEMENT-EMPLOYEE RELATIONS
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Executive Office	Proportion of employees	2	-
Employee Relations	Proportion of employees	10	0.25
Liaison/Employment Services	Proportion of employees	12	0.25
Total		24	0.50

All positions in the Bureau are apportioned to the new Harbor City based on the proportion of employees in four other Bureaus within the Department of Public Works – Engineering, Sanitation, Street Lighting, and Street Services – that are allocated to the Harbor. The logic of this apportionment is that the Bureau of Management-Employee Services workload is ultimately the result of the activities carried out by these four Bureaus. Thus the percentage of staff in these four Bureaus that provide services to the Harbor is a reasonable indicator of the percentage of Bureau of Management-Employee Services staff providing services to the Harbor.

Contractual Services

During fiscal year 2000-01, the Bureau of Management-Employee Services did not purchase any significant contract services.

Public Works – Bureau of Sanitation

The Bureau of Sanitation focuses on three activities: solid resources management, wastewater and industrial waste management, and stormwater management. The Bureau's solid resources management activities consist of collecting, processing, and disposing of refuse, recyclables, and yard trimmings. The Bureau's wastewater and industrial waste functions include the conveyance, treatment, and disposition of wastewater and the operation of 4 wastewater treatment plants Citywide. They also involve permitting and monitoring emitters of industrial waste effluent. Finally, in the area of stormwater, the Bureau is responsible for managing the City's stormwater management system and administering the City's flood control programs.

Distribution of Service within City

The Bureau's solid resources activities can be divided into four operational areas: refuse, recycling, yard trimmings, and various special items. For refuse, the City utilizes three landfills for refuse disposal: Sunshine Canyon Landfill (14747 San Fernando Road, Granada Hills), Bradley Landfill (9801 Tujunga Avenue, Sun Harbor), and Calabasas Landfill (5300 Lost Hills Road, Agoura).¹⁸ Sunshine Canyon and Bradley are operated by private companies, while Calabasas is owned and operated by the Los Angeles County Sanitation District. For refuse collected in the Harbor area, the City makes extensive use of the City of Long Beach's SERRF refuse incinerator facility (120 Henry Ford Avenue, Long Beach). The City also utilizes several refuse transfer stations throughout the City as areas to consolidate refuse for shipping to the landfills. One such transfer station is located in the Harbor (3031 East First Street, Wilmington).

With respect to recycling, the City utilizes eight materials recovery facilities (MRFs) to process recyclables, one of which is located in the Harbor. For yard trimmings, the Bureau utilizes three facilities, and the Bureau provides several special collection and disposal services for dead animals, bulky items, horse manure, and other items.

To provide solid resources services, the Bureau divides the City geographically into six "districts." The Bureau's Harbor District encompasses and is somewhat larger than the Harbor special reorganization area. Operations for the Harbor are based at the Harbor Yard, located at 1400 Gaffey Street, San Pedro.

The Bureau's wastewater and industrial waste management services focus on two activities. The first is collecting, conveying, treating, and disposing of sewage for the City and for 27 other agencies that contract with the Bureau for wastewater services. Major components of the wastewater include the City's four sewage treatment plants: Hyperion Treatment Plant, Terminal Island Treatment Plant (located in the Harbor at 445 Ferry Street, Terminal Island), Tillman Water Reclamation Plant, and Los Angeles/Glendale Water Reclamation Plant. In addition to operating these treatment plants, the Bureau maintains all of the sewer system's pumping plants and all other physical components of the system (e.g., sewer pipes) within the City. The Bureau also maintains the sewer pipes located outside the City's boundaries if they exceed thirty inches in diameter.

In addition to managing sewage, a second area category of services is the monitoring and permitting of businesses and other sources of harmful pollutants (e.g., metals) that flow into the City's sewer or stormwater system. These activities consist of both inspecting potential sources of pollutants and of making technological improvements that reduce the amount of pollutants entering the sewer and stormwater systems.

To provide wastewater services, the Bureau divides the City geographically into eight Districts, and deploys both operations and support staff at facilities throughout the City. Operations staff are concentrated at the District offices and the sewage treatment plants, particularly at Hyperion

¹⁸ The Bureau is also currently utilizing the City of Long Beach's South East Resources Recovery Facility to dispose of refuse collected in the Harbor area.

Treatment Plant (12000 Vista Del Mar, Playa Del Rey). Support and various technical staff are concentrated both at the department's downtown Los Angeles headquarters (433 S. Spring Street) and at offices near downtown at 2335 Dorris Place.

Finally, in the area of stormwater management, the Bureau engages in two primary activities. The first is maintaining the City's storm drain system, primarily through both public education programs and engineering projects aimed at reducing the amount of trash and pollutants that enter the storm drains. The second is ensuring the City's continuing compliance with the numerous regulatory requirements, in particular those of the National Pollutant Discharge Elimination System (NPDES) Permit for stormwater and urban runoff. Stormwater management staff are located in downtown offices at 650 S. Spring Street.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Bureau of Sanitation. This would include the costs of all services related to solid resources and stormwater. Wastewater service-related costs would not be apportioned the Harbor, as it is assumed that all such costs would be borne by Harbor residents directly through wastewater service fees.

The number of department staff that, as of fiscal year 2000-01, provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor. For fiscal year 2000-01 the Bureau of Sanitation has 2,421 budgeted positions. The bureau is divided into 17 divisions, the functions of which are described in the table below.

**PUBLIC WORKS – BUREAU OF SANITATION
INTERNAL DIVISION FUNCTIONS**

<u>Division</u>	<u>Function</u>
Management (Executive Division)	Provides overall oversight and management of Bureau.
Administration	Provides administrative and clerical support for the Bureau, including payroll, purchasing, and personnel processing.
Financial Management	Estimates Bureau revenues, monitors expenditures, and provides overall financial management.
Information and Control Systems	Responsible for the Bureau's computer-based systems and services.
Human Resources Development	Develops programs for employee environmental health and safety, training, and emergency preparedness.
Regulatory Affairs	Responsible for regulatory compliance and permitting issues.
Environmental Monitoring	Provides all laboratory testing related to City wastewater and stormwater activities, provides information and research to safeguard employee and public health and to address environmental issues.
Solid Resources Collection	Collects recyclables, refuse, and special items for residences and some City departments.
Solid Resources Engineering & Construction	Provide planning and engineering services to support solid waste collection, management, and infrastructure development.
Solid Resources Citywide Recycling	Manages citywide solid waste recycling programs.
Wastewater Collection Systems	Operates and maintains the City wastewater collection and citywide stormwater conveyance system.
Wastewater Engineering Services	Provides engineering services to the Bureau's wastewater program.
Terminal Island Treatment Plant	Provides wastewater treatment for the Los Angeles Harbor areas.
Hyperion Treatment Plant	Provides wastewater treatment for the City; also provides residuals management and resource recovery related to wastewater.
L.A. Glendale/D.C. Tillman Plants	Provides wastewater treatment and water reuse services for the San Fernando Harbor, Glendale, and surrounding Los Angeles areas.
Industrial Waste Management	Responsible for minimizing the amount of harmful pollutants (e.g., metals) that enter the City's wastewater system.
Stormwater Management	Responsible for controlling and eliminating stormwater pollution.

The estimate of the number of employees providing services to the Harbor is limited to divisions with responsibility for solid resources, stormwater, various administrative functions, and regulatory research. For these divisions, measures of workload and service needs have been identified that provide a basis for estimating the proportion of positions providing service to the Harbor. As shown in the table below, it is estimated that a total of 35.25 positions provide service to the Harbor. A special reorganization would thus result in the costs of 35.25 positions, or roughly 1.5% of the department's staff, being allocated to the new Harbor City.

**BUREAU OF SANITATION
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management (Executive Division)	Proportion of employees	8	-
Administration	Proportion of employees	65	1.00
Financial Management	Proportion of employees	65	1.00
Information and Control Systems	Proportion of employees	59	1.00
Human Resources Development	Proportion of employees	40	.50
Regulatory Affairs	Proportion of employees	14	.25
Environmental Monitoring	Staff not allocated	115	-
Solid Resources Collection	Employee service area/Proportion of employees	794	26.50
Solid Resources Engineering & Construction	Proportion of employees	97	3.25
Solid Resources Citywide Recycling	Proportion of employees	26	.75
Wastewater Collection Systems	Staff not allocated	310	-
Wastewater Engineering Services	Staff not allocated	46	-
Terminal Island Treatment Plant	Staff not allocated	63	-
Hyperion Treatment Plant	Staff not allocated	481	-
L.A. Glendale/D.C. Tillman Plants	Staff not allocated	96	-
Industrial Waste Management	Staff not allocated	105	-
Stormwater Management	SPAC revenue distribution	37	1.00
Total		2,421	35.25

* Positions per division based on the Bureau's 1999-00 organization chart. Discrepancies between the total number of budgeted positions and the number of positions shown on the organization chart were reconciled to match the budgeted number.

The methodology used to estimate the number of positions providing service to the Harbor is as follows. In the area of solid resources, the Solid Resources Collection division contains two categories of positions that require separate apportionment methodologies. The first group consists of those assigned to specific geographic services areas and therefore are apportioned based on these service areas. To estimate the number of staff among this first group providing services to the Harbor area, several calculations were made. First, because the Bureau's organization chart consolidates Solid Resources Collection division personnel in its South Central and Harbor Districts, department data indicating that roughly 22.7% of the households in these two districts receiving refuse collection services are located in the Harbor District was used to estimate the number of staff assigned to the Harbor District. And second, adjustments were made to account for the Bureau's Harbor District encompassing a geographic region exceeding the boundaries of the Harbor special reorganization area. Using data derived from the U.S. Census, it was estimated that roughly 76.5% of the population in the Bureau's Harbor District reside within the Harbor special reorganization area. Applying these

percentages results in an estimate that 25 of the 136 positions assigned to the Bureau's South Central and Harbor Districts provide services to the Harbor special reorganization area. These 25 positions account for roughly 3.4% of the 727 positions in the division assigned to specific geographic services areas.

The second group of positions in the Solid Resources Collection division consists of those not assigned to specific geographic service area. These 67 positions, which are associated with overall division management and support, are apportioned to the new Harbor City on a "proportion of employees" basis by applying the percentage of geographic-specific positions estimated to provide service to the Harbor (3.4%) as calculated above. Taking 3.4% of these 67 positions results in an apportionment of the costs of approximately 2 positions to the Harbor from this group. Adding these roughly 2 positions to the 25 positions calculated above results in a total apportionment of approximately 27 positions. The logic of this apportionment is that the Solid Resources Collection division's management and support positions primarily support the division's geographic-specific operations. Since 3.4% of all geographic-specific positions provide services to the Harbor, it is estimated that the same percentage of the division's management-related positions provide services to the Harbor.

For the two other divisions with responsibility for solid resources – Solid Resources Engineering & Construction and Solid Resources Citywide Recycling – the expenditure apportionment is made based on the proportion of employees in the Solid Resources Collection division (3.4%, as calculated above) estimated to provide services to the Harbor.

For the Stormwater Management division, positions are apportioned to the Harbor based on the geographic distribution of revenue the City collects from Stormwater Pollution Abatement Charge (SPAC). The SPAC is assessed on all properties in the City in order to treat and abate stormwater. The charge is based on the amount and kind of stormwater runoff a property generates, and is calculated as a function of property size and land use. According to City data, the Harbor generated 3% of all SPAC revenues in fiscal year 1998-99. Thus, 3% of all Stormwater Management division personnel expenditures would be apportioned to the new Harbor City. The assumption underlying this apportionment is that the regional distribution of SPAC revenues provides a reasonable assessment of stormwater-related service needs in a new Harbor City.

Positions in the all other divisions are apportioned to the Harbor using a "proportion of employees" method. All positions apportioned in this manner are within "support" divisions that provide technical and administrative support to other Bureau divisions that provide direct services. The assumption is that the proportion of direct service division employees providing services to the Harbor is a reasonable indicator of the proportion of support division employees providing services to the Harbor.

The department has also budgeted for a small number of "as needed " positions for fiscal year 2000-01. A proportional amount of the cost for these positions is assumed allocated to the Harbor City in proportion to the number of budgeted staff estimated to serve the Harbor.

Contractual Services

The Bureau's fiscal year 2000-01 budget for contractual services is \$4.8 million. The Bureau contracts for numerous personal services, including waste disposal, engineering services, and yard trimmings processing. It is assumed that, at least with respect to contracts related to solid resources and stormwater, the new Harbor City would be allocated a proportional share of the cost of contract services, and the costs of these contract services can be estimated based on the percentage of Bureau staff providing services to the Harbor (1.5%, as calculated above).

Public Works – Bureau of Street Lighting

The Bureau of Street Lighting is responsible for designing, constructing and maintaining the City's Street Lighting System. As of fiscal year 2000-01, this System consists of about 217,000 of the roughly 240,000 street lights within the City of Los Angeles.¹⁹ The Bureau's activities include managing various kinds of street lighting projects and administering the City's street lighting assessment districts.

Distribution of Service within City

The Bureau's activities involve a mix of direct services provided to the public and indirect support services to both other City departments and to outside government agencies. The direct services consist of plan checking and technical support on the lighting aspects of certain private development projects, and of responding to citizen requests for street light repairs or specific lighting system improvements. A somewhat different form of direct service the Bureau provides consists of administering existing street light assessment districts, as well as analyzing and structuring proposals for new assessment districts.

With respect to indirect support services, the Bureau checks project plans and provides technical oversight for the street lighting aspects of development projects conducted by other City departments. The Bureau's indirect services also include assisting in the design of lighting systems for transit or other projects carried out within Los Angeles by non-City agencies (e.g., Caltrans).

To provide both its direct and indirect services, the Bureau divides the City geographically into four "Districts" – North, West, Central, and South – with the South District encompassing the Harbor special reorganization area. The Bureau has three office locations citywide, its headquarters being in downtown Los Angeles at 600 S. Spring Street.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Bureau of Street Lighting. The number of department staff that, as of fiscal year 2000-01, provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor.

For fiscal year 2000-01 the Bureau has 213 budgeted positions. The department is divided into 12 divisions, the functions of which are described in the table below.

¹⁹ The roughly 23,000 street lights within Los Angeles that are not part of the City Street Lighting System are owned and operated by the Department of Water and Power.

**PUBLIC WORKS – BUREAU OF STREET LIGHTING
INTERNAL DIVISION FUNCTIONS**

<u>Division</u>	<u>Function</u>
Management	Provides overall management and oversight of the Bureau.
Field Operations	Responsible for maintaining and repairing street lights, warehouse operations, and inventory management.
Construction Services	Manages street lighting projects, evaluates and tests equipment, and performs various construction engineering duties.
Proposition 218 Compliance & Community Service	Responsible for community relations; also manages the process of creating new street lighting maintenance assessments while complying with Proposition 218.
Private Development	Responsible for engineering plan checks and other construction project monitoring for private development projects and for special projects.
Case Management	Reviews Planning Department documents, EIRs, and various other development-related documents, attends development-related meetings, and assists in the Building Permit process.
Inter-Agency Engineering	Responsible for street lighting portions of projects carried out by outside agencies within City boundaries.
Capital Projects	Responsible for installing new street light systems and for rehabilitation projects.
Assessment Processing	Calculates assessments, prepares ordinances, conducts hearings, and various other duties related to setting street light assessments.
Management Support & Personnel Services	Responsible for personnel and office management issues.
Administrative Services	Responsible for payroll, budgeting, and other support functions.
Information Technology	Responsible for Bureau's computer and other information systems.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 19.25 positions provide service to the Harbor. A special reorganization would thus result in the cost of 19.25 positions, or roughly 9.0 % of the Bureau's staff, being allocated to the new Harbor City.

**PUBLIC WORKS – BUREAU OF STREET LIGHTING
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	5	.75
Field Operations	Location of employees/Proportion of employees	88	9.50
Construction Services	Proportion of employees	11	1.00
Proposition 218 Compliance & Community Service	Population	20	.75
Private Development	Proportion of employees	10	1.00
Case Management	Proportion of employees	6	.75
Inter-Agency Engineering	Population	16	1.00
Capital Projects	Proportion of employees	17	1.75
Assessment Processing	Population	11	-
Management Support & Personnel Services	Proportion of employees	4	-
Administrative Services	Proportion of employees	9	1.00
Information Technology	Proportion of employees	16	1.75
Total		213	19.25

* Positions per division based on the Bureau's 2000-01 organization chart. Discrepancies between the total number of budgeted positions and the number of positions shown on the organization chart were reconciled to match the budgeted number.

The methodology used to estimate the number of positions providing service to the Harbor is as follows. For the Field Operations division, two groups of staff positions require separate apportionment methodologies. The first are those positions assigned to one of the division's four "District" Operations. The apportionment method used for these positions is based on their geographic location: given that the Bureau's South District fully encompasses the Harbor special reorganization area but includes other regions of the City as well, it is assumed that 50% of the 10 positions assigned to the South District provide services to this Harbor region. Thus, the outlays associated with these 5 South District positions are apportioned to the new Harbor City. As of fiscal year 2000-01, these 5 positions account for roughly 11.3% of all Field Operations division positions assigned to the division's four Districts.

A second group of positions in the Field Operations Division are those not assigned to any of the division's four Districts. These consist of 40 positions that serve the entire City rather than just a specific region. For these positions, "proportion of employees" is the apportionment basis. It is calculated by multiplying the proportion of North District positions as a percentage of positions in all Districts estimated to provide service to the Harbor (11.3%, as calculated above) by the number of positions not assigned to a District (40). This totals roughly 5 positions. The cost of these 5 positions are added to the 5 North District positions already apportioned, for a total of approximately 10 Field Operations positions whose costs would be apportioned to the new Harbor City. The logic of this apportionment is that the division's 40 non-District positions primarily support District operations.

Since 11.3% of all District positions are located in the Harbor, it is estimated that the same percentage of non-District positions provide services to the Harbor.

For three of the Bureau's divisions – Proposition 218 Compliance and Community Service, Inter-Agency Engineering, and Assessment Processing – the apportionment method used is population: the percentage of City of Los Angeles residents residing in the Harbor is multiplied by the number of positions in each division. The logic of this apportionment is that these divisions perform functions (e.g., administering lighting assessment districts and public relations) generally on a citywide basis rather than focusing on specific geographic areas. These personnel expenditures are therefore apportioned proportionately based on the City's population.

Finally, for the Bureau's remaining eight divisions, the number of positions providing service to the Harbor is estimated based on the proportion of employees in the Bureau's other divisions providing services to the Harbor.

Contractual Services

The Bureau's fiscal year 2000-01 budget for contractual services is \$446,400. It is assumed that the new Harbor City would be allocated a proportional share of the cost of contract services, and that the costs of these contract services can be estimated based on the percentage of Bureau staff providing services to the Harbor (9.0%, as calculated above).

Public Works – Bureau of Street Services

The Bureau of Street Services performs several functions related to maintaining City streets and other public ways. The Bureau maintains and cleans City streets by removing debris, resurfacing streets, slurry sealing, repairing asphalt, and by providing various engineering services. The Bureau also manages street trees, and removes brush and other debris from City properties and from unimproved private properties. Finally, the Bureau regulates the use of City streets, sidewalks, and other public ways.

Distribution of Service within City

In describing where and how the Bureau delivers services, it is useful to divide its activities into three categories: (1) direct services to the public in the form of maintaining, cleaning, and enhancing City streets and streetscapes; (2) direct services to the public in the form of regulatory and enforcement activities; and (3) various intra-Bureau technical and operations support functions.

The Bureau's direct services include street maintenance, management of street trees, lot cleaning, street resurfacing, engineering, and special projects. The Bureau's street maintenance activities include maintaining and cleaning public streets, alleys, and other public ways. Management of street trees includes tree planting, trimming, and removal. Lot cleaning consists of removing brush and other debris from City properties and, once the property owner has been notified, from unimproved private properties as well. Finally, the Bureau also provides engineering services on City street construction projects, and assists in the construction of special street projects, such as access ramps and streetscapes.

To carry out these direct services, the Bureau divides the City geographically into two large "zones", within which are 24 "street maintenance districts." Each zone consists of 12 street maintenance districts. The boundaries of street maintenance district 101 in Zone 1 conform almost precisely to the boundaries of the Harbor special reorganization area. The Bureau has 35 offices throughout Los Angeles, with its headquarters located in downtown Los Angeles at 600 S. Spring Street. One office is located in the Harbor (1400 N. Gaffey Street, San Pedro).

Another form of direct services the Bureau provides includes several regulatory and enforcement activities. These direct services include regulating the use of City streets and sidewalks, enforcing the City's sidewalk vending regulations, and issuing various permits to allow use of the City's public ways. The Bureau provides these direct services from several offices Citywide.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Bureau of Street Services. The number of department staff that, as of fiscal year 2000-01, provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor.

For fiscal year 2000-01 the Bureau has 1,241 budgeted positions. The department is divided into 10 divisions, the functions of which are described in the table below.

**PUBLIC WORKS – BUREAU OF STREET SERVICES
INTERNAL DIVISION FUNCTIONS**

<u>Division</u>	<u>Function</u>
Executive (Management)	Provides Bureau-wide management and oversight.
Street Tree	Regulates and maintains street trees, provides emergency tree services, and addresses tree insects and diseases.
Street Use Inspection	Enforces City laws related to the use of City streets, sidewalks and public ways; enforces sidewalk vending program.
Street Maintenance	Maintains and cleans City streets, alleys, and other public ways.
Administration	Provides Bureau-wide administrative support, including budgeting, personnel, payroll, and clerical services.
Lot Cleaning	Cleans weeds and other debris from City properties and roadsides, and cleans debris from private property under certain circumstances.
Technical Services	Provides technical and engineering services for all Bureau facilities and special projects.
Resurfacing	Manages and repairs pavement, operates two asphalt plants, and smoothes unimproved streets and alleys.
Engineering	Provides engineering services for the construction of City streets.
Special Projects	Constructs special street projects and performs minor bridge and guardrail repairs.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 21.25 positions provide service to the Harbor. A special reorganization would thus result in the cost of 21.25 positions, or roughly 1.7% of the department's staff, being allocated to the new Harbor City.

**PUBLIC WORKS – BUREAU OF STREET SERVICES
ALLOCATION OF WORKLOAD AND PERSONNEL**

Division	Allocation Method	Positions	Harbor Allocation
Executive (Management)	Proportion of employees	12	-
Street Tree	Employee service area/Proportion of employees	193	4.00
Street Use Inspection	Employee service area/Proportion of employees	61	.50
Street Maintenance	Employee service area/Proportion of employees	496	9.25
Administration	Proportion of employees	41	1.00
Lot Cleaning	Employee service area/Proportion of employees	101	2.25
Technical Services	Proportion of employees	27	-
Resurfacing	Employee service area/Proportion of employees	219	3.25
Engineering	Proportion of employees	18	-
Special Projects	Proportion of employees	73	1.00
Total		1,241	21.25

The methodology used to estimate the number of positions providing service to the Harbor is as follows. For five of the Bureau's divisions – Street Tree, Street Use, Street Maintenance, Lot Cleaning, and Resurfacing – two groups of positions within each division require separate apportionment methodologies. These two groups of positions are: (1) those assigned to specific geographic service areas; and (2) those not assigned to specific geographic service areas. Only the apportionment of the Street Maintenance division is described in detail below, as this same apportionment logic applies equally to the Bureau's other four divisions apportioned using a similar methodology.

As stated above, two groups of positions in the Street Maintenance division require separate apportionment methodologies. The first group consists of those personnel assigned to specific geographic services areas and therefore could be apportioned based on these service areas. To deliver services, the Street Maintenance division divides the City into four "Areas": North Central, Bay Harbor, East Valley, and West Valley. As discussed above, the boundaries of street maintenance district 101, which is one of six districts in the Bay Harbor Maintenance Area, conform almost precisely to the boundaries of the Harbor special reorganization area. Thus the cost of all positions in the Street Maintenance division assigned to street maintenance district 101 are apportioned to the new Harbor City. This totals 9 positions, or 1.9%, of the 487 positions in the division assigned to a specific geographic service area.

The second group of positions consists of those not assigned to specific geographic service areas. The cost of these 9 positions, which are associated with overall division management, are apportioned to the new Harbor City on a "proportion of employees" basis by applying the percentage of geographic-specific positions located within the proposed Harbor boundaries (1.9%) as calculated above. Thus 1.9% of the cost of these 9 positions from the division would be allocated to the new Harbor City.

For the Bureau's remaining five divisions – Executive, Administration, Technical Services, Engineering, and Special Projects – the number of positions providing service to the Harbor is estimated based on the proportion of employees in the Bureau's other divisions providing services to the Harbor. The logic of this apportionment is that these five divisions largely support the activities carried out by the divisions that include geographic-specific positions.

The department has also budgeted for a large number of "as needed" positions for fiscal year 2000-01. A proportional amount of the cost for these positions is assumed allocated to the Harbor City in proportion to the number of budgeted staff estimated to serve the Harbor.

Contractual Services

The Bureau's fiscal year 2000-01 budget for contractual services is \$17.4 million. The Bureau contracts for various personal services, such as asphalt recycling, waste removal, tree trimming, and hauling. It is assumed that the new Harbor City would be allocated a proportional share of the cost of contract services, and that the costs of these contract services can be estimated based on the percentage of Bureau staff providing services to the Harbor (1.7%, as calculated above).

Transportation

The Department of Transportation plans and operates the City's street system, enforces City laws related to parking and street use, and oversees all City transit services.

Distribution of Service within City

The Department of Transportation's activities can be divided into three categories: (1) direct services to the public in the form of traffic management, parking services, and transit services; (2) direct services to the public in the form of regulatory and enforcement activities related to parking, franchise agreements, taxicabs and other for-hire vehicles; and (3) several intra-department technical and operations support functions.

Direct Services

Within the first category of direct services, one area of department activities is known as "traffic management." Traffic management has both a planning and an operating component. The planning component includes the taking of traffic surveys and intersection traffic counts, analyzing roadway characteristics, investigating the causes of traffic accidents, and overall planning of the City's street system. The operating component covers many department activities, one of the most significant being oversight and maintenance of the City's traffic signals. This includes operating the City's Automated Traffic Surveillance and Control System (ATSAC), a computer-controlled traffic signal system that, as of fiscal year 2000-01, has been installed at 2,750 of the City's 4,399 signalized intersections. Other operations-related traffic management activities include responsibility for road markings, traffic signs, and crossing guard services.

With respect to parking, the department manages the City's on-street and off-street parking system. The department maintains roughly 42,500 parking meters (both on- and off-street) citywide. The department also operates 115 off-street parking facilities with a total of 7,358 parking spaces. Of these, 8 facilities and 404 spaces, or 5.5% of all off-street facility spaces, are located in the Harbor area.

In the area of transit, the department provides transit service through four transit lines. These transit services, which are operated by private firms under contract, include the Commuter Express, DASH, Community Connection, and Cityride.

A second category of direct services the department provides includes several regulatory and enforcement activities. These direct services include the enforcement of City parking laws and the issuance of parking citations. These services also include regulating the rates charged and services provided by taxicabs, ambulances, and sight-seeing vehicles. Finally, the department regulates privately-owned utilities, and prepares and enforces the provisions of 37 oil pipeline franchises.

To carry out its direct services, the department has several distinct methods of dividing the City geographically. For parking enforcement functions, for example, the department divides the City into five Enforcement Areas, with the Harbor Parking Enforcement Area encompassing the Harbor special reorganization area. Department staff providing direct services are deployed in offices citywide, with department headquarters being downtown at 221 N. Figueroa Street. There are two department offices located in the Harbor.

Support Functions

The third broad area of department activity includes technical and operations support functions. These include providing various kinds of support – administrative, personnel, budgeting, information systems – for department operations. All staff providing these internal support services are located in the department's downtown offices.

Cost of Service

The proposed "purchase of service" agreement would allocate to the new Harbor City the cost of services the Harbor currently receives from the Department of Transportation. The number of department staff that, as of fiscal year 2000-01, provide services to the Harbor can be estimated based on the current location of staff as well as the estimated workload and service needs in the Harbor.

For fiscal year 2000-01 the department has 1,472 budgeted positions, 12 of which are Commissioners. The department is divided into 12 divisions, the functions of which are described in the table below.

DEPARTMENT OF TRANSPORTATION INTERNAL DIVISION FUNCTIONS	
<u>Division</u>	<u>Function</u>
Management	Provides department-wide oversight and management.
Bureau of Information Systems	Develops and supports the Department's computer hardware and software systems.
Bureau of Administrative Services	Responsible for personnel, accounting and budgeting, and other administrative support functions.
Bureau of Project Development and Implementation	Responsible for planning special transportation and transit priority lane projects; also oversees City's involvement in regional Call for Projects process and project finance issues related to Propositions A & C.
Bureau of Transportation Programs and Development Review	Responsible for medium- and long-range transportation planning, for all land development approval functions, and for coordination with non-City transportation planning agencies.
Bureau of Transit Programs and Franchise Regulations	Responsible for transit planning, for managing the City's transit programs (e.g., DASH), and for regulating and monitoring taxicabs and other for-hire vehicles.
Bureau of Traffic Management	Plans City's system of traffic control devices, plans and implements traffic controls for special events.
Bureau of Field Operations	Installs and maintains all City traffic control devices.
Bureau of Transportation Design and ATSAC	Prepares and designs signal and striping plans; plans, designs, and operates City ATSAC traffic signal system.
Bureau of Parking Enforcement and Intersection Control	Enforces City parking regulations and issues parking citations.
Bureau of Parking Regulations and Special Operations	Processes and tracks parking citations, collects parking fines, and schedules administrative hearings; also plans for certain special parking and traffic control needs.
Bureau of Parking Operations Support	Provides support services for department's parking-related functions, including scheduling of traffic control officers and processing service requests.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 39.25 positions provide service to the Harbor. A special reorganization would thus result in the cost of 39.25 positions, or roughly 2.7% of the department's staff, being allocated to the new Harbor City.

**DEPARTMENT OF TRANSPORTATION
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	13	-
Bureau of Information Systems	Proportion of employees	44	1.00
Bureau of Administrative Services	Proportion of employees	88	1.75
Bureau of Project Development and Implementation	Proportion of employees	38	2.75
Bureau of Transportation Programs and Development Review	Employee service area/Population	25	1.00
Bureau of Transit Programs and Franchise Regulations	Location of service/Population	62	3.75
Bureau of Traffic Management	Employee service area/Proportion of employees	63	2.75
Bureau of Field Operations	Employee service area/Proportion of employees	268	10.25
Bureau of Transportation Design and ATSAC	Location of service/Proportion of employees	89	2.75
Bureau of Parking Enforcement and Intersection Control	Employee service area/Proportion of employees	628	11.25
Bureau of Parking Regulations and Special Operations	Proportion of employees	73	1.00
Bureau of Parking Operations Support	Proportion of employees	69	1.00
Total		1,460	39.25

* Number of positions per division based on the 2000-01 organization chart and excludes 12 Commissioners. Discrepancies between the number of budgeted positions for fiscal year 2000-01 and the number of positions on the organization chart were reconciled to match the number of budgeted positions.

The methodology used to estimate the number of positions providing service to the Harbor is as follows. For four divisions – Transportation Programs and Development Review, Traffic Management, Field Operations, and Parking Enforcement and Intersection Control, and Parking Operations Support – a distinction is made between those assigned to specific geographic service areas and those not assigned to specific geographic service areas. Only the apportionment of positions from the Bureau of Field Operations is described in detail below, as this same apportionment logic applies equally to the department's other four Bureaus that are apportioned using a similar methodology.

As stated above, two groups of positions in the Bureau of Field Operations require separate apportionment methodologies. The first group consists of those assigned to specific geographic services areas and therefore apportioned based on these service areas. To deliver services, the Field Operations Bureau divides the City into three "Traffic Signal Construction and Maintenance" areas (TSCMs): Central Area, Western Area, and Valley Area. The Harbor special reorganization area is part of the Central Area TSCM. For these distributed positions, those responsible for traffic signal construction and maintenance are apportioned to the Harbor based on the percentage of traffic signals Citywide that are located in the Harbor special reorganization area, which is roughly 3.5%. Those responsible for non-traffic signal field operations, such as maintenance of traffic signs and pavement, are apportioned to the Harbor based on the percentage of traffic signs and pavement

markings located in the Harbor area, which is 3.75%. Applying these percentages would result in the transfer of the cost of seven positions, or 3.6%, of the 197 positions in the Bureau assigned to specific geographic service areas.

The second group of positions consists of those not assigned to a specific geographic service area, excluding those positions associated with the ATSAC system. These 71 positions, which are associated with the overall division management and specific technical functions, are apportioned to the new Harbor City on a “proportion of employees” basis by applying the same percentages as those applied to geographic-specific positions (3.5% and 3.75%, respectively) as calculated above. Applying these percentages results in an apportionment of approximately 3 positions to the Harbor from this group. Adding these the cost of these roughly 3 positions to the 7 positions calculated above results in a total apportionment of the cost of about 10 positions. The logic of this apportionment is that the Field Operations Bureau management and special technical positions primarily support the division’s geographic-specific operations. Since 3.5% of one group and 3.75% of another group of the geographic-specific positions provide services to the Harbor, it is estimated that these same percentages of the Bureau’s management and special technical positions provide services to the Harbor.

Like Field Operations, two other Bureaus within the department – Transit Programs and Franchise Regulations as well as Transportation Design and ATSAC – each contain two groups of positions that require separate apportionment methodologies. For Transit Programs and Franchise Regulations, one group consists of 32 positions involved in administering the City’s transit programs.²⁰ These positions are apportioned based on the proportion of bus routes on the Commuter Express, DASH, and Community Connection transit lines in which any portion of the route traverses the Harbor special reorganization area. Analysis of bus routes shows that 5 of the 52 routes, or 9.6%, on these three transit lines have at least some portion traversing the Harbor. It is thus estimated that 9.6% of personnel expenditures related to the 32 positions that administer the City’s transit programs, roughly 3 positions, are used to provide services to the Harbor.

The second group of positions in the Transit Programs and Franchise Regulations Bureau consist of 30 positions responsible for regulating taxicabs and other for-hire vehicles as well as overseeing franchise agreements between the City and firms with underground pipelines within City boundaries. These positions are apportioned based on population: the proportion of the City’s population residing in the Harbor area (3.98%) is multiplied by 30, for an apportionment of the cost of one position to the new Harbor City. The logic of this apportionment is that the functions these positions perform – regulating for-hire vehicles and administering franchises related to underground pipelines – affect the entire City, thus these services are not concentrated in any single geographic area.²¹ It is therefore appropriate to apportion these positions in relation to the City’s population as a whole. Finally, adding this approximately one position to the 3 positions from the first group results in a Bureau-wide apportionment of the cost of roughly 4 positions to the new Harbor City.

The Transportation Design and ATSAC Bureau also has two groups of positions that require separate apportionment methodologies. The first group is the ATSAC Operations and ATSAC Design/Construction Divisions. For this group, expenditures are apportioned to the Harbor based on the percentage of ATSAC signalized intersection citywide that are located in the Harbor.²²

²⁰ The positions within the Bureau involved in administering the City’s transit programs include those in the Transit Project Development and Transit Operations Divisions.

²¹ The apportionment of staff costs for the franchise regulation group differs from the Harbor apportionment of taxicab and underground pipeline franchise revenue estimated in the CFA, as it is unknown whether the revenue is related workload.

²² The number of positions was calculated based on a fiscal 2000-01 figure of 2.7% of all ATSAC signalized intersection being located in the Harbor. This factor was then applied proportionately to the 59 positions in the department with direct responsibility for ATSAC.

The second group of positions consist of those in the Bureau's Design Division. These 39 positions are involved in designing and preparing the plans for the City's entire network of traffic signals and street stripes. Because these positions are responsible for the City's entire striping and signal network, the apportionment is based on the proportion of employees in the Field Operations Bureau that provide services to the Harbor. Applying this percentage (3.7%, as calculated above) to these 39 positions results in two positions being apportioned to the Harbor, resulting in a Bureau-wide apportionment of the cost of two positions to the new Harbor City.

For the remaining divisions within the department – Management, Information Systems, Administrative Services, Project Development and Implementation, and Parking Regulations and Special Operations – the apportionment is made on a “proportion of employees” basis, although the apportionment method varies somewhat depending on the division. For the Bureau of Project Development and Implementation, the apportionment is based on the proportion of employees apportioned to the Harbor in the two Bureaus whose functions the Bureau of Project Development and Implementation largely supports – the Bureau of Transportation Programs and Development Review and the Bureau of Transit Programs and Franchise Regulations. A similar logic is used to apportion positions in the Bureau of Parking Regulations and Special Operations, although it is based on the proportion of employees apportioned to the Harbor in the Bureau of Parking Enforcement and Intersection Control and the Bureau of Parking Operations Support.

Finally, for the remaining three divisions – Management, Information Services, and Administrative Services– the cost of positions providing service to the Harbor is estimated based on the proportion of employees in all of the department's other divisions providing services to the Harbor.

The department has also budgeted for a relatively large amount (\$6.0 million in fiscal year 2000-01) for “as needed.” A proportional amount of the cost for these positions is assumed allocated to the Harbor City in the same percentage as the number of budgeted staff serving the Harbor.

Contractual Services

The department's fiscal year 2000-01 budget for contractual services is \$13.8 million. The department has ongoing contracts for several kinds of services. These include transit services such as the maintenance and operation of the City's transit lines, a charter bus program, and SMART Shuttle services. They also include contracts in the area of parking operations for such services as parking citation processing and parking lot operation. And the department also contracts for landscape and streetscape improvements and for taxicab refranchising.

It is assumed that the new Harbor City would be allocated a proportional share of the cost of contract services, and that the costs of these contract services can be estimated based on the percentage of department staff providing services to the Harbor (2.7%, as calculated above).

Non-Departmental

2000 Tax and Revenue Anticipation Notes

The City has historically relied on the use of Tax and Revenue Anticipation Notes to fund General Fund cash flow deficits over the course of the fiscal year. Municipalities typically face cash flow deficits given that certain revenues, such as property taxes, are not received evenly over the fiscal year. However, many municipalities retain cash reserves that can be drawn upon when needed to support imbalances in revenues and expenditures. The City does not retain a large General Fund cash balance relative to its annual budget, and has relied on borrowing from its "special purpose funds" or from the proceeds of tax and revenue anticipation notes to fund its cash flow deficits.

The City issues its notes at the beginning of the fiscal year and repays its notes at the end of the fiscal year. The proceeds of the notes are, for budgetary purposes, used to finance the City's contribution to the Department of Pensions. Theoretically, the issuance of the notes allows for interest earnings that would have not otherwise been earned over the course of the year.

Under the service assumptions used in this report, the Harbor City is allotted a share of the City's budgeted tax and revenue anticipation notes appropriations is based on the proportion of fire and police personnel serving the Harbor. The City's notes appropriation includes interest expense; however, the Harbor City is credited with interest earnings from the General Fund.

Capital Finance Administration Fund

The Capital Finance Administration Fund provides for payment of the City's lease obligation bonds and certificates of participation. The City appropriates funds from its General Fund, and transfers certain pledged revenues sufficient for the debt service requirements on the bonds and certificates of participation.

In the event of a special reorganization, the City would lose General Fund revenue, and the City's ability to repay the lease obligations would be diminished. To ensure that the rights of bondholders are not negatively impacted as a result of a special reorganization, a form of payment from the Harbor City for the City's lease obligations would likely be required. It is assumed the Harbor City would be allocated a portion of the City's outstanding lease obligations according to the proportion of citywide employees that are estimated to serve the Harbor under a purchase of service agreement.

Alternatively, the location of the assets financed could be used to allocate debt service costs to the Harbor. However, the City does not retain records that identify the location of assets financed with lease obligation bonds or certificates of participation.

ALLOCATION OF CITY OF LOS ANGELES CAPITAL FINANCE ADMINISTRATION FUND

	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>	<u>Allocation Method</u>
General Fund Supported				
Central Library Program O	\$ 1,913,608	0.00%	-	Location of facility
Central Library Project R	4,850,987	0.00%	-	Location of facility
MICLA Program H Additional	2,166,357	0.00%	-	Location of facility
MICLA Program AA	13,544,308	4.24%	574,279	Proportion of employees
MICLA Program AC	12,612,318	4.24%	534,762	Proportion of employees
MICLA Program AL	2,194,912	4.24%	93,064	Proportion of employees
MICLA Program U	3,530,504	4.24%	149,693	Proportion of employees
MICLA Program W	11,406,253	4.24%	483,625	Proportion of employees
MICLA Program S	5,557,553	4.24%	235,640	Proportion of employees
MICLA Program Q Refunding	4,934,470	4.24%	209,222	Proportion of employees
MICLA Program T	5,867,634	0.00%	-	Location of facility
MICLA Program AE	9,897,707	4.24%	419,663	Proportion of employees
MICLA Program K Refunding	2,495,576	4.24%	105,812	Proportion of employees
MICLA Program X	3,089,038	4.24%	130,975	Proportion of employees
Subtotal, General Fund	\$ 84,061,225		\$ 2,936,736	
Secured by Other Sources				
Pershing Square	618,435	0.00%	-	Location of facility
Arena Debt Service	3,880,969	0.00%	-	Location of facility
Subtotal, Other Sources	4,499,404		-	
Miscellaneous				
General Administration	95,000	3.49%	3,319	Proportion of debt service
Insurance Program	1,305,000	3.49%	45,591	Proportion of debt service
Proposition K Match	63,363	0.00%	-	
Reserve Fund Surety Fees	36,000	4.24%	1,526	Proportion of employees
Trustee Fees	175,000	3.49%	6,114	Proportion of debt service
Subtotal, Miscellaneous	1,674,363		56,550	
Total	\$ 90,234,992		\$ 2,993,286	

Using the assumed allocation of liability above, future debt service payments from the City's Capital Finance Administration Fund for the proposed Harbor City are provided in the following table. For purposes of computing "revenue neutrality," the fiscal year 2000-01 debt service payment is assumed to accrue to the new Harbor City.

**ALLOCATION OF CAPITAL
FINANCE ADMINISTRATION
FUND DEBT SERVICE**

Fiscal Year	Harbor Share of Debt Service
2001	-
2002	-
2003	-
2004	2,651,074
2005	2,369,804
2006	1,952,675
2007	1,615,398
2008	1,221,176
2009	1,017,421
2010	979,403
2011	767,840
2012	504,341
2013	233,117
2014	157,703
2015	120,563
2016	65,381
Total	\$ 13,655,896

It is important to note that the City's annual debt service requirement for its lease obligation bonds and certificates of participation will decrease over time as the principal on the bonds is repaid. Therefore, the amount of bonds outstanding and the annual debt service requirement during the first three years of incorporation of the proposed Harbor City would be different from the fiscal year 2000-01 requirement. However, the City may issue additional bonds after the preparation of the comprehensive fiscal analysis, which would increase the City's annual debt service requirement. The amount of the City's future debt service requirement may need to be considered in the estimation of any transfer of funds or assets to mitigate an imbalance of current revenues and expenditures.

Capital Improvement Expenditure Program

The City budgeted \$212.1 million in fiscal year 2000-01 for capital improvements. Most of the budgeted expenditures are funded from the City's special purpose funds, with \$159.4 million funded from the Sewer Construction and Maintenance Fund and a combined \$23.4 million from the City's Gas Tax and Proposition C funds.

Upon a special reorganization, the Harbor City would receive certain special fund revenues, and may fund capital improvements from those funds. The capital improvement expenditure program for the Harbor City is therefore allocated using the proportion of revenue that would accrue to the Harbor City. A discussion of the allocation of special purpose fund revenues is provided in section "Financial Viability of New City - Harbor City Revenue -."

ALLOCATION OF CAPITAL IMPROVEMENT EXPENDITURE PROGRAM

<u>Revenue Item</u>	<u>2000-01 CIEP Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>
General Fund	\$ 9,445,027	4.24%	\$ 400,469
Special Gas Tax Street Improvement Fund (5)	11,778,312	3.98%	468,777
Stormwater Pollution Abatement Fund (7)	4,591,000	3.00%	137,730
Special Parking Revenue Fund (11)	4,742,047	1.23%	58,130
Sewer Construction and Maintenance Fund (14)	159,407,000	0.00%	-
Park and Recreational Sites and Facilities Fund (15)	1,002,900	8.44%	84,648
Street Lighting Maintenance Assessment Fund (19)	3,557,000	11.36%	404,205
Proposition C Anti-Gridlock Transit Impr. Fund (27)	11,607,563	3.98%	461,981
Industrial/Comm. Revolving Fund	3,400,000	0.00%	-
UDAG	550,000	0.00%	-
Vacated Fire Dept. Facilities Fund	326,054	6.86%	22,376
Local Transportation Fund (34)	1,700,000	3.98%	67,660
	<u>\$ 212,106,903</u>		<u>\$ 2,105,976</u>

Human Resources Benefits

The Human Resources Benefits budget is comprised of appropriations for the following purposes: (1) payment of all workers' compensation and rehabilitation bills, claims and awards; (2) payment of subsidies for the City's benefits programs; and (3) payment of unemployment insurance claims.

Distribution of Service within City

The City's employee benefit costs are distributed by the following workforce categories: Civilian, Police, and Fire. The funds attributed to these categories are distributed through accounts entitled Civilian FLEX Program, Supplemental Civilian Union Benefits, Police Health and Welfare Program, and Fire Health and Welfare Program. These accounts are described below.

- Civilian FLEX Program: Contained in the Civilian FLEX Program are the City's standard health and dental insurance benefits, as well as base disability and base life insurances, and FLEX Credit benefits.
- Supplemental Civilian Union Benefits: Contained in this account are the benefits that have been previously negotiated by individual bargaining units.
- Police Health and Welfare Program: Contained in this account are the City's standard benefits for health, dental and life insurance for sworn police employees.
- Fire Health and Welfare Program: Contained in this account are the City's standard benefits for health, dental and life insurance for sworn fire employees.

The City's employees are also covered by Worker's Compensation in accordance with California Labor Code. Employees are covered from the first moment on the job and can be compensated for the following: (1) All reasonable medical care, (2) Vocational rehabilitation in the event of serious injury that prohibits return to work, (3) Partial replacement of lost wages, (4) Additional "permanent disability" payments after the employee reaches maximum recovery in cases of permanent impairment, and (5) Surviving dependents may be paid death benefits in fatal injuries.

The City's Personnel Department administers the workers' compensation program and administers the Human Resources Benefits Budget. It is assumed for the purpose of this study that the Harbor City will be responsible for the administration of Workers' Compensation claims made by the employees serving its jurisdiction. The City of Los Angeles Personnel department will administer claims made by employees remaining in its jurisdiction (including workers serving the Harbor through contractual services) as well as claims made by inactive employees.

Cost of Service

In the event of a Harbor City special reorganization, the cost to fund Human Resource Benefits appropriations would be allocated to the new city to ensure that employees serving it are covered under existing programs. This section develops the assumptions necessary to estimate the required Human Resources Benefits appropriation for both the City of Los Angeles and Harbor City.

The function of each program funded by the City's Human Resources Benefits budget is described in the table below. Based on the functions of each program, an estimate of the Human Resources Benefits funds required to provide benefits to the new Harbor City's employees is developed.

**CITY OF LOS ANGELES HUMAN RESOURCES BENEFITS
BUGDETED ITEMS AND THEIR FUNCTION**

<u>Budget Item</u>	<u>Function</u>
Workers' Compensations/Rehabilitation	Provides Workers' Compensation and rehabilitation benefits to claimants.
Civilian FLEX Program	Provides the City's standard health and dental insurance benefits, disability, base life insurance, and FLEX Credit benefits.
Supplemental Civilian Union Benefits	Provides benefits that have been previously negotiated by individual bargaining units.
Police Health and Welfare Program	Provides the City's standard benefits for health, dental and life insurance for sworn police employees.
Fire Health and Welfare Program	Provides the City's standard benefits for health, dental and life insurance for sworn fir employees.
Unemployment Insurance	Provides unemployment insurance to former City employees.
Employee Assistance Program	Provides professional and confidential counseling services to employees who need help resolving personal problems.

The magnitude of each of the City's budgeted items above is related to the number of covered employees. Therefore, the estimated Human Resource Benefits costs allocated to the Harbor City is based on the total number of City employees estimated to serve the Harbor.

For fiscal year 2000-01 the City's Human Resources Benefits programs totaled \$260.8 million. Using the proportion of City employees serving the Harbor, it is estimated that \$11.1 million will be required to fund the Harbor share of the City's Human Resources Benefits budget. This is equivalent to 4.24% of the City's fiscal year 2000-01 Human Resources Benefits budget.

The assumed \$11.1 million Harbor City payment for Human Resource Benefits is intended to recover the Workers' Compensation payments for active Harbor City's employees as well as a proportion of the on-going liability for all inactive employees. The incremental cost incurred by the City for the administration of claims for inactive employees is not estimated in this analysis, and no reimbursement for a proportional amount of the administration costs for inactive employees is assumed made by the Harbor City.

Judgment Obligation Bonds

The City has issued four series of bonds to finance legal judgments for lawsuits involving California Federal Bank, General Motors Corporation, and the Kimpel party. Debt service on the outstanding bonds is payable through August 2010. As discussed in section “- Transfer of Legal Liability,” the Harbor City is allocated a share of the City’s existing liabilities.

The City has budgeted \$35.46 million in judgement obligation bond debt service for fiscal year 2000-01. It is assumed for the purposes of this analysis that the share of current debt service would be allocated to the proposed Harbor City is equal to a proportion of the City’s fiscal year 2000-01 budget amount, based on the total number of City employees estimated to serve the City.

Estimated future debt service to be paid by a Harbor City on the City’s outstanding judgment obligation bonds is provided in the table below.

ALLOCATION OF JUDGMENT OBLIGATION BOND DEBT SERVICE

<u>Fiscal Year</u>	<u>Harbor Share of Debt Service</u>
2001	-
2002	-
2003	-
2004	359,450
2005	346,916
2006	334,329
2007	300,567
2008	289,240
2009	182,281
2010	174,539
2011	60,449
Total	<u>\$ 2,047,771</u>

Liability Claims

As further discussed in section “- Transfer of Legal Liability,” the City annually budgets an amount for the payment of claims or legal actions brought against the City. The budgeted amount for liability claims in fiscal year 2000-01 is \$55.7 million. It is assumed that the current amount of liability claim expenditures that would accrue to the Harbor City is equal to a proportion of the City’s fiscal year 2000-01 budgeted amount. The proportion used is based on the total number of City employees providing services to the Harbor City a part of a purchase of service agreement.

Proposition A Local Transit Assistance Fund

Unlike most other special purpose revenue funds, where appropriations are made to various departments, the City appropriates most of the available monies directly from the Proposition A Fund for allowable transit uses. Proposition A funds are provided to the cities within Los Angeles County based on population. Therefore, upon a special reorganization, the Harbor City would be eligible for Proposition A revenues.

It is assumed that the Harbor City would be allocated Proposition A Fund appropriations equal to the amount of revenue the new city would receive. In the City's fiscal year 2000-01 budget, \$77.5 million (net of appropriations to budgetary departments) in Proposition A revenue is expected to be received. The percent of citywide population in the Harbor area is used to estimate the amount of Proposition A revenue and expenditures that would be allocated to the Harbor City as part of a purchase of service agreement.

Proposition C Anti-Gridlock Transit Improvement Fund

Similar to the City's Proposition A special purpose revenues, the Harbor City would expect to receive Proposition C revenues based on the population in the Harbor area. It is assumed for the purposes of this analysis that the Harbor City would appropriate Proposition C funds equal to the amount of revenue received. For fiscal year 2000-01, the City has budgeted Proposition C revenue of \$22.98 million, net of appropriations to departments. The percent of citywide population in the Harbor area is used to estimate the amount of current Proposition C revenue and expenditures that would accrue to the Harbor City.

Special Parking Revenue Fund

The City appropriates funds directly from its special parking revenue fund for certain non-departmental items. It is assumed in this fiscal analysis that the Harbor City would be credited revenues from the City's Special Parking Revenue Fund (net of departmental appropriations) based on the proportion of revenue generated by parking facilities in the Harbor Area. The amount of parking revenue generated by the Harbor for all City-owned parking meters and parking facilities has been estimated by the City to be 1.23% as of fiscal year 1998-99. It is further assumed that the Special Parking Revenue Fund expenditures allocated to the Harbor City would be equal to the estimated amount of revenues contributed by the Harbor.

Unappropriated Balance

The unappropriated balance of the City is budgeted for contingent items that may occur over the fiscal year. In fiscal year 2000-01, the City budgeted \$73.2 million for an unappropriated balance. For the purposes of this analysis, it is assumed the Harbor City would also budget for an unappropriated balance in an amount proportional to the total number of employees that would serve the Harbor City.

Water and Electricity

The City's Department of Water and Power provides water and electricity to the City and is reimbursed for the costs of such service from the City's General Fund. It is assumed in this fiscal analysis that the Harbor City would also receive water and electricity service, and the cost of this service would be proportional to the amount budgeted by the City, \$31.1 million, in fiscal year 2000-01. The Harbor City cost is estimated in proportion to the total number of employees that would serve the new Harbor City.

Other Special Purpose Funds

All other appropriations that are not attributable to a specific department or other area of the City's budget are appropriated under the category Other Special Purpose Funds. For fiscal year 2000-01, the City has budgeted \$232.9 million in Other Special Purpose Funds appropriations, of which \$47.5 million are funded from the City's General Fund.

An estimate of the proportion of each Other Special Purpose Funds appropriation made in fiscal year 2000-01 that would transfer to the proposed Harbor City is attached in Appendix III.

Other Departments

Airports

The department manages all airport facilities under the jurisdiction of the City of Los Angeles. It plans, constructs and maintains its own buildings, and controls its own funds in accordance with the Los Angeles City Charter. The department, also known as the Los Angeles World Airports, is a self-supporting branch of the City of Los Angeles, governed by a five-member Board.

Distribution of Service within City

The City operates and maintains an airport system comprised of the Los Angeles International, Ontario International, Van Nuys, and Palmdale Regional Airports.

The Los Angeles International Airport (LAX) is the major facility of the airport system, accounting for approximately 90% of the passenger traffic, 81% of the air cargo volume, and 84% of the air carrier operations for fiscal year 1996-97. In 1998, LAX served approximately 61.2 million annual domestic and international passengers.

Ontario International (ONT) is a medium-hub, full-service airport with commercial jet service to major cities in the United States and connecting service to international destinations. ONT served approximately 6.5 million annual passengers in 1999. In September 1998, ONT completed construction of two new terminals providing 26 aircraft gates, a new circulation loop roadway system, and three new parking lots.

The Van Nuys Airport has been ranked as one of the busiest general aviation airports in the world, with more than 523,000 aircraft operations, and more than 106 corporate jets based at VNY, representing half of all corporate jets in California during fiscal year 1996-97.

The Palmdale Regional Airport is comprised of approximately 17,750 acres of mostly undeveloped land owned by the City for future development of the facility. Air service ended at PMD in April 1998.

The commercial airports derive revenues primarily from aircraft landing fees and leases and concession fees from tenants. These revenues typically permit the airport system to operate without utilizing general tax funds. Aviation related enterprises that generate revenue include commercial air service, private flying schools, air cargo service, executive aircraft facilities, and small aircraft engine maintenance shops. Passenger services include car rental companies, gift shops and newsstands, restaurants, and parking. Airport expenditures include bond redemption and interest, maintenance of buildings and airfields, operating and administrative expenses, equipment and roadways, and capital development.

Cost of Service

The department is self-supporting, in that all operating and capital costs are recovered through airport revenue. The costs incurred by the City in providing service to the department are, for the most part, recovered through charge-backs to the department. Therefore, no costs of the airport system, or City costs to provide service to the department, are allocated to the Harbor.

City Employees Retirement System

Officers and employees of the City of Los Angeles and their beneficiaries are entitled to retirement benefits (including disability and survivors' benefits) and health subsidy benefits under Article XXXIV of the Charter of the City of Los Angeles and by related ordinances.

The Los Angeles City Employees Retirement System (CERS) was established in 1937 under the exclusive management and control of a Board of Administration. The Board administers the retirement benefits for civilian City employees, except Department of Water and Power employees. The Board manages and administers the City Employees' Retirement Fund, invests the Fund's assets, determines the health providers and coverage for retired employees, and approves members' retirement applications including applications for disability retirements. CERS is staffed with approximately 85 employees, and managed by a General Manager who reports to the Board of Administration.

As of June 30, 2000, CERS had assets with actuarial value equal to 109.1% of actuarially accrued liabilities.

Description of Service

The City's Employees Retirement Fund is a defined benefit plan that provides retirement benefits based on years of service. For each year of service with the City the employee receives 2.16% of his final average salary. For example, a 30-year employee would receive 64.8% of his final average salary in retirement. If a CERS member is forced into disability retirement he will receive one third of his salary. In addition, CERS provides death benefits to survivors of members and retirement health benefits and subsidies to its members. City employees of less than five years are not vested in the program. However, members of less than five years may continue to vest should they become members of a reciprocal agency.

Cost of Service

It is assumed in the CFA that the City of Los Angeles would provide services on behalf of the new city, and would be reimbursed for the direct and indirect cost of those services, including the annual CERS appropriation. For the purposes of the CFA, the City's cost for CERS is allocated to the Harbor based on the proportion of the total number of City employees that are estimated to serve the Harbor.

Harbor

The Harbor Department is responsible for the management of the Harbor District, operation of the Port of Los Angeles, and the leasing of land and production of oil in the District. The Port is operated under the provisions of the State Tidelands Trust, which stipulates that the activities of the Port must be related to commerce, navigation and fisheries. The department, as a proprietary department of the City, is self-supporting, and does not rely on taxes from the City. Port revenues are received from fees charged for dockage, wharfage, pilotage, storage, property rentals, and other services. The Port operates primarily as a landlord, as opposed to an operating port, with most docks, wharves, and terminals assigned to tenants who operate their own facilities.

Cost of Service

The department is self-supporting, in that all operating and capital costs are recovered through port revenue. The costs incurred by the City in providing service to the department are, for the most part, recovered through charge-backs to the department. Therefore, no costs of the Harbor Department, or City costs to provide service to the department, are allocated to the Harbor.

Library

The Los Angeles Public Library operates and maintains a Central Library, eight regional branches providing reference and circulating service in their respective regions of the City, and 67 branches providing neighborhood service. The department controls its own budget.

Distribution of Service within City

One of the department's eight regional offices is located in the Harbor area. The San Pedro Regional Branch maintains the San Pedro and Wilmington local branch libraries. Each region's management staff is located in one of the region's local libraries.

Cost of Service

It is assumed that the estimated cost of department services provided for the benefit of the Harbor area would be allocated to the Harbor City as part of the proposed special reorganization. An estimate of the number of department staff providing services for the Harbor area can be developed by identifying staff physically located in the Harbor area, and by analyzing the work performed by centrally located staff for the benefit of the Harbor.

For the fiscal year 2000-01 the department has 1,097 budgeted positions (excluding Commissioners). The Board of Library Commissioners is the legal head of the department. The five-members of the Board are appointed by the Mayor and confirmed by the City Council. Board members work part-time and are not salaried employees.

CITY OF LOS ANGELES PUBLIC LIBRARY INTERNAL DEPARTMENT FUNCTIONS

<u>Division</u>	<u>Function</u>
Business Office	Manages all fiscal activities; purchases all materials, equipment and services; performs contract administration and facilities management.
Special Projects	Manages special projects determined by the Assistant City Librarian and supervises Volunteer Services.
Children's Services	Provides promotional and administrative support for system-wide programs, e.g., Children's Reading Clubs. Coordinates training of Children's librarians.
Branch Library Services	Plans, directs, and controls branch and bookmobile services. Includes supervision of 6 area managers. Selects and trains professional and support staff.
Central Library Services	Manages and supervises the Central Library. Oversees provision of library services and supervises principal librarians in charge of subject departments.
Info. Technologies & Collections	Provides for the maintenance and support of the library's material resources including electronic distribution of information over wide-area network. Develops and maintains infrastructure for disseminating electronic resources including online circulation and catalog system.
Young Adult Services	Provides promotional and administrative support for system wide programs targeted to young adults. Trains Young Adult Librarians.
Facilities	Oversees the 32 projects of the Library's capital program. Interacts with architects, project managers, and City departments. Oversees land acquisition, design, construction, budget and conducts community meetings.

Based on the functions of each division, measures of workload have been identified that can be used to estimate the proportion of each departmental division providing service to the Harbor area.

Of the department's staff geographically distributed by library branch, roughly 3% are located in the Harbor area. Given that branches are designed to deliver neighborhood services, the cost of two

Harbor area branch libraries and their staff, a total of roughly 26 positions, would be allocated to the Harbor City as part of the proposed special reorganization.

To identify the number of centrally located staff that serve the Harbor area, a review of the specific functions of each department division must be undertaken in order to determine relevant workload measures for each division. The table below summarizes each division's functions.

The Business Office, Special Projects, Children's Services, and Young Adult Services divisions provide system-wide services. Using the geographic distribution of branch staff as an indicator of services provided by each branch, these divisions can reasonably be apportioned using the percent of staff dedicated to Harbor area branches.

The Facilities Division, which oversees the Library's 1998 and 1989 Library Bond Program will remain under the control of the City. The Bond Issue is expected to finance 32 branch library construction projects, including improvements to the San Pedro branch library. Language in the Bond documents specifies that the City administer and manage the Library Bond Construction Program. It is assumed that the City will continue to administer the Bond Program, and the Harbor City will reimburse the current Library Department for Bond Program-related administrative costs.

Finally, Management and Human Resource (HR) Divisions primarily support the activities of the department's other divisions. Staffing is therefore a function of the total number of department staff and personnel expenditures can reasonably be apportioned using the department's estimated number of employees to be providing service to the new Harbor City.

In all, the special reorganization would result in the costs of 34.50 positions, or roughly 3.1% of the department's staff, being allocated to the new Harbor City.

**CITY OF LOS ANGELES PUBLIC LIBRARY
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions</u>	<u>Harbor Allocation</u>
Management & Administration			
Management	Proportion of employees	24	.75
Human Resources	Proportion of employees	7	.25
Public Information	Location of employees	5	.25
Divisions			
Business Office	Location of employees	82	2.50
Special Projects	Location of employees	11	.25
Children's Services	Location of employees	21	.75
Young Adult Services	Location of employees	12	.25
Information Technologies & Collections	Proportion of employees	110	3.5
Central Library Services	Location of employees	156	25.75
Water & Power	Location of employees	2	-
Branch Library Services	Location of employees		
Central/Southern Area	Location of employees	108	-
East Valley Area	Location of employees	104	-
Hollywood Area	Location of employees	113	-
Northeast Area	Location of employees	102	-
West Valley Area	Location of employees	135	-
Western Area	Location of employees	99	-
Facilities	Location of construction projects	6	-
<u>Total Staff</u>		1,097	34.50

Non-salary personnel expenditures are also estimated based on the proportion of employees estimated to serve the Harbor. This estimate does not include positions required to staff Phase III and Phase IV of the Extended Service Hour Program.

Contractual Services

The department contracts the service of outside vendors primarily for support of its information technology (IT) environment, including the Library network, servers, telecommunications, WEB access, and the CARL system. It is assumed the Harbor City would incur contract services costs

proportional to the City's fiscal year 2000-01 budget amount, based on the number of department staff providing service to the Harbor City.

Pensions

The Board of Pension Commissioners of the fire and police pensions has the responsibility for and the exclusive control of the administration and investment of monies in the funds of the Fire and Police Pension System, New Pension System, and the Safety Members Pension Plan. It administers the provisions of the City Charter relative to service, disability, and dependents' pensions for members of the Fire and Police Departments. The department is staffed with approximately 60 employees, and managed by a General Manager who reports to the Board of Pension Commissioners.

Members of the Los Angeles Police and Fire Departments and their beneficiaries are entitled to pension, disability, and survivor's benefits under Articles XVII, XVIII and XXXV of the Charter of the City of Los Angeles.

Article XVII: the Fire and Police Pension System covers employees hired before January 29, 1967, except those that elected to transfer to the New Pension System.

Article XVIII: the New Pension System covers employees hired after January 28, 1967, and before December 8, 1980, except those who were hired before January 29, 1967, and elected to transfer from the Fire and Police Pension System.

Article XXXV: the Safety Members Pension Plan covers employees hired on or after December 8, 1980. The plan also covers those certified paramedics and civilian ambulance employees who transfer from the City Employees' Retirement System during the year ending June 30, 1983, or have since been hired.

As of June 30, 2000, the actuarial value of the system's assets was \$10,985,936,206. This represents a funded ratio of 114.4% of the actuarial accrued liability of pension benefits (\$9,604,173,677).

The City provides contributions to the pension funds, made up of two parts:

- Normal Cost Contributions: contributions that are determined as the cost of the system benefits accruing each year. If all assumptions are realized, and there are no gains or losses, this amount will remain unchanged as a percent of pay unless the average age of the population increases. In this case, contributions as a percent of pay will increase. The contributions will also increase as a dollar amount as total covered payroll increases.
- Funding of Unfunded Actuarial Accrued Liability (UAAL): represents liabilities accrued to date, that have not been funded by prior years' normal cost contributions. Most of the UAAL is funded as a level of percent of payroll until the year 2012. Increases in the UAAL due to assumption changes are amortized over 30 years, and gains and losses are amortized over 15 years.

Description of Service

The benefits of the Police and Fire Pension System are similar to those of CERS with the exception of more liberal disability benefits. Benefits are based on members' final compensation and terms of service. Members with 20 or more years of service are entitled to annual pension benefits equal to 40% of their final compensation, increasing each year of service over 20 years, to a maximum of 66 2/3% to 70% depending on when the employee was hired. The plans adjust for annual cost of living adjustments.

The inherent risks involved in the job requirements of the members in the system lend themselves to greater instances of disability than the employees of other city occupations, which causes the pension system to experience more disability claims than CERS. The system's disability benefits range from 30% to 90% of a member's salary.

Cost of Service

It is assumed in the CFA that the City of Los Angeles would provide services on behalf of the new city, and would be reimbursed for the direct and indirect cost of those services, including the annual pension appropriation. For the purposes of the CFA, the City's pension cost is allocated to the Harbor based on the proportion of the total number of City employees that are estimated to serve the Harbor.

Recreation and Parks

The Department of Recreation and Parks maintains and operates sites for recreational use, for educational purposes, and for various programmed activities. The sites include parks, playgrounds, swimming pools, public golf courses, recreation centers and camps, museums, nature observatories, and structures of historic significance. The department controls how its funds are spent, and a five-member Board of Commissioners sets department policy.

Distribution of Service within City

The department's activities can be divided in two broad categories: (1) direct services to the public in the form of maintaining and operating sites that provide the public with recreational and educational opportunities; and (2) several intra-department technical and operations support functions.

The department provides its direct services at nearly 390 facilities located throughout the City of Los Angeles.²³ The types of facilities vary widely from small neighborhood parks to large multifaceted recreation centers. Some of the department's more notable facilities include Griffith Park Observatory in central Los Angeles, the Cabrillo Marine Museum in San Pedro, and the Hansen Dam and Sepulveda Basin recreation facilities located in the San Fernando Valley. To maintain and operate its various facilities, the department divides the City geographically into three regions - Griffith Metro, Pacific, and Valley – and has specific departmental divisions assigned exclusively to these regions. The Pacific region encompasses the Harbor special reorganization area.

The department technical and operations support functions include routine administration and budgetary activities, public relations, personnel administration, and grant administration. Department headquarters is located downtown at 200 N. Main Street, although staff are dispersed at department facilities citywide.

Cost of Service

The estimated cost of providing Department of Recreation and Parks services to the Harbor is based on the number of personnel that, as of fiscal year 2000-01, provide services to the Harbor. Department personnel that serve the Harbor can be estimated using the current location of staff as well as the estimated workload and service needs in the Harbor. For fiscal year 2000-01 the department has 1,884 budgeted positions, of which 5 are Commissioners.²⁴ The department is divided into 10 divisions, the functions of which are described in the table below.

²³ The department also operates some facilities located outside the boundaries of Los Angeles. These include five camping facilities: Camp High Sierra in Mammoth Lakes, Camp Redford in Angeles Oaks, Camp Seeley in Crestline, Camp Valcrest in La Canada Flintridge, and Decker Canyon Camp in Malibu.

²⁴ In addition to these budgeted full-time positions, the department makes extensive use of part-time employees to operate its facilities. For fiscal year 1999-00, the department allotted 1,831,566 part-time hours.

**DEPARTMENT OF RECREATION AND PARKS
INTERNAL DIVISION FUNCTIONS**

Division	Function
Management	Provides department-wide management and oversight.
Administrative and Finance Branch	Responsible for administrative and financial control functions, including accounting, budgeting, and other administrative functions.
Public Relations Branch	Responsible for public information, department publications, news media relations, and photography.
Resource Development Branch	Responsible for administering and securing grants.
Personnel Branch	Oversees hiring process and maintains all employee records; also manages employee-management relations and workers compensation issues.
Planning and Development Branch	Responsible for administrative, project management, and environmental analysis functions on department design and construction projects; also responsible for land management and for scope/pre-design engineering and architectural on capital projects.
Citywide Services Branch	Administers numerous programs related to golfing, department equipment and grounds, child care, senior citizens recreation, aquatics, and other department-sponsored activities.
Griffith Metro Region	Manage grounds, facilities and operation of Griffith Park, Griffith golf courses, Elysian Park, Echo Park, MacArthur Park, and other facilities and areas.
Pacific Region	Manage grounds, facilities and operation of Venice Beach Recreation Center, Angels Gate Complex, Ken Malloy Harbor Regional Park, and several other facilities and areas.
Valley Region	Manage grounds, facilities, and operation of Sepulveda and Hansen Dam recreational facilities, O'Melveny Park, and several other facilities and areas.

Based on the functions of each division, measures of workload and service needs have been identified that provide a basis for estimating the proportion of each departmental division providing service to the Harbor. As shown in the table below, it is estimated that a total of 179.25 positions provide service to the Harbor. A special reorganization would thus result in the cost of 179.25 positions, or roughly 9.5% of the department's staff, being allocated to the new Harbor City.

**DEPARTMENT OF RECREATION AND PARKS
ALLOCATION OF WORKLOAD AND PERSONNEL**

<u>Division</u>	<u>Allocation Method</u>	<u>Positions*</u>	<u>Harbor Allocation</u>
Management	Proportion of employees	5	.75
Administrative and Finance Branch	Proportion of employees	66	6.50
Public Relations Branch	Proportion of employees	4	-
Resource Development Branch	Proportion of employees	17	1.75
Personnel Branch	Proportion of employees	15	2.00
Planning and Development Branch	Proportion of employees	57	5.50
Citywide Services Branch	Proportion of employees	278	25.50
Griffith Metro Region	Employee service area	592	-
Pacific Region	Employee service area/Proportion of employees (portion of staff not allocated)	462	137.25
Valley Region	Employee service area	383	-
Total		1,879	179.25

* Number of positions per division based on the 1999-00 organization chart and excludes five Commissioners. Discrepancies between the number of budgeted positions for fiscal year 2000-01 and the number of positions on the organization chart were reconciled to match the number of budgeted positions.

The methodology used to estimate the number of positions providing service to the Harbor is as follows. For three divisions – Griffith Metro Region, Pacific Region, and Harbor Region – positions are apportioned based on the geographic service area to which these positions provide service. As discussed above, the Pacific Region has boundaries that encompass the Harbor special reorganization area. Thus, among all positions in the Pacific Region that are assigned to a specific geographic area within that Region, the cost of those positions assigned to facilities within the Harbor special reorganization area are apportioned to the new Harbor City. This consists of 110, or 29.7%, of the 371 positions in the Pacific region assigned to a specific geographic area within that Region. This same percentage (29.7%) is then applied to the 91 positions within the Pacific Region not assigned to any specific area within the Region, adding another roughly 27 positions to the apportionment. From the Pacific Region, therefore, the cost of a total of approximately 137 positions would be allocated to the new Harbor City. These 137 positions account for 9.5% of the 1,437 positions assigned to the department's three geographic Regions.

For the remaining divisions within the department – Management, Administration and Finance, Public Relations, Resource Development, Personnel, Planning and Development, and Citywide Services– the apportionment of costs is made on a “proportion of employees” basis. Specifically, the number of positions providing service to the Harbor is estimated based on the proportion of employees in the department's three geographic Regions that provide services to the Harbor area. The logic of this apportionment is that the proportion of employees providing services to the Harbor among all those employees assigned to specific geographic regions is a measure of the percentage of positions in the department's remaining divisions providing services to the Harbor.

The department has also budgeted for a large amount of hours for "as needed" positions in fiscal year 2000-01. A proportional amount of the cost for these positions is assumed allocated to the Harbor City in the same percentage as the number of budgeted staff providing services to the Harbor.

Contractual Services

The department's fiscal year 2000-01 budget for contractual services is roughly \$5.7 million. It is assumed that the new Valley City will require similar contract services, and that the costs of these contract services can be estimated based on the percentage of department staff providing services to the Valley (9.5%, as calculated above).

Water and Power

The department, under the City Charter, is responsible for supplying the City with water and electric energy by constructing, operating, and maintaining public works throughout the City, and Inyo and Mono counties. The department also imports water and electric energy to other western states.

Description of Existing Service – Water

The City has three principal water supply sources: the Los Angeles Aqueduct (LAA), local groundwater, and purchased water imported by the Metropolitan Water District of Southern California (MWD).

Los Angeles Aqueduct

The First LAA was completed in 1913, and consisted of the 233-mile Owens River Aqueduct transporting water from the eastern slopes of the Sierra Nevada. In 1940, the aqueduct was extended 105 miles north to the Mono Basin. The Mono Basin Project increased the capacity of the LAA system to almost 300 million gallons per day (mgd) or 336,000 acre feet per year. An acre foot (ac ft) equals the amount of water that covers an acre by one foot, or 43,560 cubic feet of water, or 325,851 gallons.

The Second LAA was completed in 1970 and transports additional water from the southern Owens Valley to Los Angeles. The completion of the Second LAA increased the system capacity to about 500 mgd or 560,000 ac ft per year.

There are seven reservoirs in the LAA system with a combined storage capacity of approximately 325,000 ac ft. Long Valley Reservoir (Crowley Lake) is the City's largest storage reservoir. Listed in the table below is the capacity of each of the City's aqueduct and local reservoirs.

DEPARTMENT OF WATER AND POWER AQUEDUCT RESERVOIRS

<u>Reservoir</u>	<u>Capacity (Acre Ft.)</u>
Crowley Lake (Long Valley)	183,249
Grant Lake	47,499
Bouquet	33,767
Tinemaha	6,306
North Haiwee	11,533
South Haiwee	27,774
Fairmont No. 2	491
Pleasant Valley	2,989
Total	313,608

Source: City of Los Angeles Department of Water and Power

**DEPARTMENT OF WATER AND POWER
SERVICE AREA RESERVOIRS**

<u>Local Reservoir</u>	<u>Capacity (Acre Ft.)</u>
Lower Stone Canyon	10,372
Los Angeles	10,170
Encino	9,789
Lower Hollywood	4,029
Silver Lake	2,440
Upper Stone Canyon	422
Santa Ynez	359
Eagle Rock	254
Van Norman Bypass	240
86 smaller reservoirs and tanks	1,320
Total	39,395

Source: City of Los Angeles Department of Water and Power

Local Groundwater Supply

The City is also entitled to 110,000 ac ft per year from the San Fernando Basin (SFB), and Central, Sylmar, and West Coast groundwater basins. The San Fernando and Sylmar basins are part of what is referred to as the Upper Los Angeles River Area (ULARA), which also includes a Verdugo and Eagle Rock basin. The City has extraction rights to all but the Verdugo Basin. Since 1970, local wells have produced about 95,000 ac ft per year accounting for 15 percent of the City's total water supply. About 80 percent of this groundwater comes from the SFB with the remaining basins making up the balance. In emergencies or during prolonged drought periods, additional groundwater can be extracted from the SFB. The availability of groundwater supplies is planned by the City to increase to 152,000 ac ft per year by 2015 if recycled water is used to recharge and replenish the water stored in the SFB.

In 1781, the King of Spain granted 17,000 acres of land and the water rights to all of the upper Los Angeles River to the original settlers of Los Angeles. The City retains these "Pueblo" water rights to virtually all of the surface and groundwater of the ULARA. In 1979, the California Supreme Court ended 20 years of court litigation with an affirmation of these rights.

Purchased Water

The MWD is a regional water "wholesaler," providing water to agencies. MWD serves 27 member agencies in Southern California with a population of nearly 16 million people. Since 1970, the City has purchased an average 125,000 ac ft per year from the MWD, or 20 percent of the City's total supply. The City's annual MWD purchases can vary significantly, depending on the need to supplement LAA deliveries if dry conditions exist.

In-City Treatment and Distribution Facilities

The department operates a state-of-the-art water treatment plant in Sylmar to produce water that meets or exceeds all drinking water standards. This treatment plant was put in service in 1988 and has a treatment capacity of 600 mgd. Additionally, two groundwater treatment facilities have been constructed to remove contaminants from wells in the San Fernando Basin.

Treated water is distributed to the City by a system consisting of about 7,200 miles of water mains ranging from four inches to 10 feet in diameter. The oldest pipes were installed in 1885. Storing and regulating water in the city is done with the use of 81 tanks and 17 reservoirs. In areas of higher

elevation, 85 pump stations deliver water. There are about 5,500 fire hydrants connected to the City water system. Water use is measured by about 660,000 metered service connections.

Water Demands

Annual water demands in Los Angeles are about 628,000 ac ft with an average per capita use of 135 gallons per day. About two-thirds of the City's demand is for residential uses, equally shared by single-family and multi-family units. About one-quarter of the demand is for commercial and governmental uses, with a very small amount used by industry. The City's has projected its water demand to grow to about 750,000 ac ft per year to support an estimated additional 900,000 residents expected by 2015.

Statistics

In fiscal year 1998-99, the following quantities of water by source were produced by the Los Angeles Department of Water and Power. Quantities so produced as reported by LADWP are:

DEPARTMENT OF WATER AND POWER QUANTITY OF WATER PRODUCED

	Quantity (<u>acre-feet, ac ft</u>)	% <u>of Total</u>
Los Angeles Aqueducts	422,960	67%
Local Groundwater	128,500	21%
MWD Purchases	72,700	12%
Total	624,160	100%

Note: Of the City's total local groundwater supply, 105,940 ac ft was pumped from the San Fernando Basin, and 22,570 ac ft was pumped from the Central and Sylmar Basins.

The projected water supply mix for the City by 2005 (from LADWP Year 2000 Urban Water Management Plan, also available at www.ladwp.com), is:

DEPARTMENT OF WATER AND POWER WATER SUPPLY MIX

<u>Source</u>	Supply Condition		
	<u>Normal</u>	<u>Dry</u>	<u>Wet</u>
Los Angeles Aqueducts	0.47	0.22	0.65
Local Groundwater	0.16	0.19	0.15
MWD Purchases	0.33	0.56	0.17
Recycled Water	0.03	0.03	0.03

The City's Pueblo water rights apply to all surface water in the Upper Los Angeles River Area and to groundwater in the San Fernando Basin, but not in the Sylmar Basin. About half of the City's 90,000 ac ft per year groundwater entitlement from the San Fernando Basin is from the Pueblo right, with the other half coming from return flows (recharge from delivered water).

The City has appropriative and return flow groundwater rights of approximately 3,250 ac ft per year in the Sylmar Basin (approximately one-third appropriative and two-thirds return flow right). Additionally, 5,000 ac ft per year of surface flow originating from land that overlies the Sylmar Basin recharges the SFB and is part of the City's Pueblo right in the SFB.

Pursuant to the judgment in Los Angeles v. San Fernando, L.A.S.C. No. 650079, the Watermaster is responsible for recalculating the safe yield of the Sylmar and San Fernando Basins as needed. This determination fixes the amount of water that may be produced by the City from those sources. The return flow portion of the City's groundwater right, however, is calculated based on the quantity of delivered water into each respective basin.

The Los Angeles Aqueduct (LAA) delivers surface and groundwater from the Owens Valley and surface water from the Mono Basin. Most of the water delivered by the LAA (over 90%) today comes from surface runoff from the Owens Valley. LADWP uses the same water rates inside the City regardless of the source of water that is served to its customers. However, as described above, a different rate level applies to customers that are located outside the City.

The LADWP reports its cost of producing City water in fiscal year 1998-99 was:

**DEPARTMENT OF WATER AND POWER
COST OF PRODUCING WATER**

	<u>Total Costs</u>	<u>Quantity Delivered</u>
Los Angeles Aqueducts	\$ 75,427,600	422,960 AF
Local Groundwater	15,072,500	128,500 AF
MWD*	30,300,000	72,700 AF

*MWD treated noninterruptible water rate is \$431 per ac ft as of Jan. 1, 2001.

Total costs for Los Angeles Aqueduct and local groundwater are primarily fixed overhead and maintenance expenses, and are not directly related to the amount of water delivered. Data provided by LADWP reflect expenses incurred to produce water prior to introduction to the distribution system. Los Angeles Aqueduct total costs include source of supply, pumping, treatment, and transmission expense. Local groundwater costs include mainly expenses related to pumping groundwater, including power. MWD costs reflect total invoices from MWD for the fiscal year.

The City currently does not pump groundwater from the West Coast Basin, and there is no other local groundwater production other than from the SFB, Central, and Sylmar basins. LADWP no longer operates the town water systems in the Owens Valley. In fiscal year 1998-99, 7,785 ac ft of water were sold to customers outside the City.

Cost of Service - Water

Currently, residents of the Harbor Area are residents within the City of Los Angeles, and are on the same water rate basis with other property inside the city. Before reorganization, customers within the Harbor area have the same rights to service as all other City customers, and have contributed cash flow, through user charges and connection fees, identically with all other users and landowners inside the city limits. If reorganization were to occur, it does not appear that a change to the rate basis of the Harbor ratepayers would occur solely as a result of such a special reorganization.

The Harbor City would no longer be part of the City of Los Angeles, and the City does not have established water rates for outside-city use. The City Charter, however, permits the sale of surplus water (other than Los Angeles River water) to customers outside the City for their own use, and to other municipalities under contracts of up to 15 years upon approval of the electorate.²⁵ The City

²⁵ Charter of the City of Los Angeles, §§ 672,677.

could develop rates for the Harbor City on what is called a "utility basis" and charge for depreciation and a rate of return on equity (under the concept that facilities are owned by inside-city customers). This concept or theory has been accepted by the California Supreme Court in its affirmation of the Superior Court ruling in Hansen v. City of San Buenaventura, 42 Cal. 3d 1172, 233 cal Rptr.22 (1986), wherein the court affirmed a superior court ruling that treats outsiders as if they do not "own" or have equity in the water system, and therefore are "renting" the capacity they use. Most publicly owned water utilities (including the LADWP Water System) however, use the cash basis for establishing user charge rate levels, and do not charge for depreciation or return on equity to its customers.

It is assumed that the user charge levels in the Harbor City will not materially deviate from those charged ratepayers within the City of Los Angeles, and the LADWP will continue to own, operate, maintain, and provide administrative support for the entire system.

The City would, in the event of a special reorganization, retain the economic benefit of lower cost water produced through Los Angeles' ownership of Pueblo rights, and theoretically customers in the Harbor City would be charged based on sources of supply other than Pueblo rights water (including groundwater, water produced from the Central and West Basins, Los Angeles Aqueduct water, and water purchased from MWD). However, any increase in the average cost of water for Harbor City ratepayers could be offset by a lower charge for the interfund transfers to the City of Los Angeles General Fund, resulting in the same water rates as City customers.

Description of Existing Service - Power

As of September 30, 1999, the steam electric generating capacity was equal to 74% of the Power System's total net capability, and hydroelectric generating capacity was equal to 26% of the Power System's capability. Purchases are made on a day-to-day or week-to-week basis that will alter these percentages. These ratios represent a substantial change from the situation in 1940 when 95 percent of the Power System's capability was provided by hydroelectric sources.

As of September 30, 1999, the Power System had the following types of generating resources available to it. These resources include facilities owned by the Los Angeles Department of Water and Power (LADWP), either solely or jointly with other utilities, and resources available through long-term power purchase arrangements.

DEPARTMENT OF WATER AND POWER POWER GENERATING RESOURCES			
<u>Type of Unit</u>	<u>Number</u>	<u>Maximum Capacity (MW)</u>	<u>Net Dependable Capacity (MW)</u>
Oil/Gas	18	2,962	2,921*
Coal	7	1,901	1,832
Nuclear	3	368	368
Hydroelectric	29	1,927	1,887
Total	57	7,158	7,008

* Valley Generating Station's Net Dependable Capability has been reduced to 323 MW due to the long-term lay-up of Units 1 and 2.

Valley Generating Station's Net Dependable Capability has been reduced to 323 MW due to the long-term lay-up of Units 1 and 2.

LADWP-Owned Generating Facilities

The LADWP is the sole owner of four steam electric generating facilities, the Haynes Generating Station in Long Beach, the Valley Generating Station in the San Fernando Valley, the Harbor Generating Station in Wilmington, and the Scattergood Generating Station near El Segundo. The capacity of the generating units is provided below.

**POWER GENERATING FACILITIES OWNED
BY THE
DEPARTMENT OF WATER AND POWER**

<u>Station</u>	<u>Capacity (MW)</u>
Haynes Generating Station	1,570
Valley Generating Station	517
Harbor Generating Station	266
Scattergood Generating Station	803
Total	3,156

Source: City of Los Angeles Department of Water and Power.

The LADWP's major sources of hydroelectric capacity consist of the Castaic Power Plant (1,247 MW), which is solely owned by the LADWP, and its entitlement from the Hoover Power Plant (491 MW).

Jointly-Owned Generating Facilities

The LADWP has an undivided interest in several jointly owned generating stations, where each participant is responsible for its share of construction, capital, and operating and maintenance costs. The LADWP has a 5.7% (217 MW) direct ownership interest in the Palo Verde Nuclear Generating Station, which is located approximately 50 miles east of Phoenix, Arizona, and consists of three nuclear generating units, and a 67.0% (151 MW) entitlement interest in the Southern California Public Power Authority (SCPPA) ownership share, bringing the total capacity interest to 368 MW. The LADWP also has a 20% (316 MW) ownership share in a Mohave Station, which is located in Southern Nevada, and a 21.2% (477 MW) share in a Navajo Station, which is located in Northern Arizona.

Capacity Rights

The LADWP has capacity rights through take-or-pay obligations or other purchase agreements for a total capacity of 1,673 MW. The Intermountain Power Project (IPP) is located near Lynndyl, Utah and provides the LADWP with a 66.8% (1,068 MW) entitlement. The generating station consists of a two-unit electric generating plant with a net rating of 1,600 MW during most of the year. The LADWP is obligated to pay for its share of capacity and energy on a "take-or-pay" basis. The Hoover Power Plant is located on the Arizona-Nevada border approximately 25 miles east of Las Vegas. The facility is owned and operated by the U.S. Bureau of Reclamation. The LADWP has a power purchase agreement for 491 MW of capacity through September 2017. The LADWP also has an agreement with the Montana Power Company, which provides 114 MW of capacity at the Colstrip Generation Station on a take-or-pay basis.

Spot Purchases

The LADWP purchases capacity and energy from the Bonneville Power Administration ("BPA") and other Pacific Northwest utilities under short-term "spot" arrangements to be delivered over the Pacific Direct Current Intertie (the "Pacific DC Intertie"). For further information on the Pacific DC Intertie, see "Transmission and Distribution Facilities" below. These purchases are used by the LADWP in conjunction with other resources for economic system operation. In addition, purchases of economy energy are made from other entities located in the Southwest.

Cogeneration

Cogeneration projects totaling approximately 300 MW nameplate capacity are currently operating within the LADWP's service area. Some of these projects are selling excess energy to the LADWP under negotiated agreements. In addition, several customers are assessing the feasibility of on-site generation, as a means of satisfying their energy needs. The amount of this additional capacity is unknown at this time.

Distributed Generation

The LADWP is assessing the ability of distributed generation (e.g., solar, fuel cells, micro turbines) to play an important role in its generation mix. Distributed generation provides the opportunity for improved system reliability, environmental benefit, and more efficient use of the LADWP's resources. No prediction can be made as to the timing or extent of the development of such distributed generation.

Conservation and Energy Efficiency

The City Charter authorizes the LADWP to engage in and finance activities related to the conservation of electricity and water. The LADWP is pursuing conservation and energy efficiency ("C/EE") as a means of deferring the need to acquire costly new generating facilities, improving the value of electric service to customers, and minimizing negative environmental impacts. The LADWP offers comprehensive programs and services for both residential and commercial customers to encourage the installation of C/EE measures and equipment. The C/EE net budget for the fiscal year ending June 30, 2000, is \$5.1 million. The current Power System Resource Plan shows in excess of 300 MW of C/EE "Resource" to be acquired for the fiscal year ending 2001.

Excess Capacity

The Power System presently has an excess of generation capability that is being marketed into the California and Southwest energy markets. With equipment outages, retirement of equipment, and anticipated load growth, the LADWP anticipates that current resources will not provide excess capacity beyond 2002. The LADWP is investigating the economic feasibility of acquiring additional generation resources, but no such resources are included in the LADWP's current capital improvement plans. See "Projected Capital Additions" below.

Transmission and Distribution Facilities

Electricity from the LADWP's hydroelectric and steam power sources is delivered to customers over an extensive transmission and distribution system. To deliver energy from generating plants to the customers, the LADWP owns and/or operates approximately 19,840 miles of alternating and direct current transmission and distribution circuits operating at voltages ranging from 120 to 1,000,000 volts. In addition to utilizing its transmission system to deliver electricity from resources located in other states, the LADWP transmits energy for others through its system when surplus transmission capacity is available and such transmission is permitted by applicable bond covenants. As the operating agent of the Pacific Direct Current (DC) Intertie, the Intermountain Power Project's Southern Transmission System, and Navajo-McCullough Line, the LADWP transmits energy for the co-owners or participants in these facilities.

Pursuant to AB 1890, as part of the deregulation of the California electric industry, municipal utilities such as the LADWP are encouraged but not required to transfer operational control of their electric transmission facilities to the Independent System Operator (ISO), an independent state agency. While the Board or the City Council has taken no action in this regard, the LADWP has held discussions with the ISO concerning the terms under which the LADWP might turn over operational control of its transmission facilities to the ISO and utilize transmission facilities controlled by the ISO in delivering electric energy from outside its service area. Until a number of issues related to such action, including the effects on the tax-exemption of LADWP bonds and the costs of transmission service are satisfactorily resolved, the LADWP does not expect that operational control of its transmission

facilities will be turned over to the ISO. While discussions with the ISO are continuing the LADWP cannot predict whether all issues related to the ISO will be satisfactorily resolved, the amount of time any such resolution might take, or whether any such action would be approved by the Board or the City Council.

There exist detailed rights and capacities the LADWP owns in certain systems and facilities, which include the following:

- Southern Transmission System,
- Pacific DC Intertie and Sylmar Converter Station,
- Devers-Palo Verde No. 1 Transmission Line,
- Mead-Phoenix Transmission Project, and
- Mead-Adelanto Transmission Project.

Projected Capital Additions

The LADWP currently estimates it will invest approximately \$1 billion for capital improvements to the Power System from the fiscal year ending June 30, 2000, to the fiscal year ending June 30, 2004. As of December 31, 1999, the LADWP retained \$74 million in proceeds of a prior bond issue available for such purposes. The LADWP currently expects over 80% of funds spent for capital improvements will be dedicated to improving and updating the Power System's distribution facilities, and to upgrade generation, transmission and other facilities. While the current plans for capital improvements to the Power System do not include any specific generation resources, the LADWP will continue to evaluate alternative sources to meet its expected load growth and anticipated additional sales of capacity and energy. New financing must be authorized by the Board and approved by the City Council. Current policy allows up to 50% of the future capital program to be financed with long term debt. The current capital improvement program estimated expenditures are summarized below:

SUMMARY OF POWER SYSTEM CAPITAL IMPROVEMENT PROGRAM (Dollars in Millions)

<u>Fiscal</u> <u>Year</u>	<u>Capital</u> <u>Program</u>
2000	200
2001	190
2002	207
2003	215
2004	203
Total net of Contributions	1,015

Source: City of Los Angeles Department of
Water and Power.

Fuel Supply

The LADWP's Los Angeles Basin fossil fuel requirements are estimated to range between 20 and 60 billion equivalent cubic feet of natural gas per year during the period 1999 to 2001. Natural gas is expected to be available to supply these requirements during that period. The LADWP has entered in one long-term gas supply contract for about one-third of the LADWP's average yearly needs. The

remaining natural gas requirements are obtained through a competitively bid spot purchase program. The Southern California Gas Company provides intrastate transportation and balancing services to the LADWP. Firm interstate natural gas transportation capacity has been obtained on three pipelines into California to 2007. Additional interstate pipeline capacity is acquired through federally approved capacity brokering programs. Long-term fuel oil requirements are expected to be minimal, although gas transportation and supply curtailments could require increased utilization of fuel oil.

Cost of Service - Power

It appears that Cortese-Knox provides LAFCO with sufficient authority to require the LADWP to provide the Harbor City power service, and charge the Harbor City the same electric power rates as the remaining City of Los Angeles, so long as LAFCO through its terms and conditions does not unduly restrict the City's contractual obligations. The Harbor City could therefore continue to receive the same level of power service currently provided by the LADWP through a contractual agreement with the LADWP.

The rate basis for the Harbor City would differ from other City ratepayers, as the Harbor residents and businesses would not be equity holders in the system, and theoretically could not be charged a capital recovery component (debt service and annual pay-as-you-go) as part of their power rates. In order to adjust Harbor City rates to the same level of rates citywide, the LADWP could assess Harbor City ratepayers a return on equity component, in lieu of capital recovery. However, the implication of not owning equity in the power system is that the transfer of "surplus" power system revenues that are transferred annually to the City's General Fund would not accrue to the Harbor City.

As part of an agreement to be the "wholesale" supplier of power to the retail electric systems of the new city, the LADWP would have to recover the new city's pro rata share of the debt service and annual pay-as-you-go obligations now incurred as current ratepayers of the LADWP. This would be equivalent to a capital recovery cost, and should be computed so that theoretically it would apply to all ratepayers whether located within or without the Los Angeles City limits.

Community Redevelopment Agency

The Community Redevelopment Agency (CRA) is a nonprofit organization created by the City of Los Angeles to remove blight in accordance with Section 33000 of the California Health and Safety Code. The CRA receives no monies from the City's General Fund. However, the CRA is regulated by state law, which requires that the City Council approve its budget. The CRA administers 27 redevelopment projects, seven earthquake disaster assistance projects, three revitalization areas, and four study areas, which encompass approximately 20,000 acres throughout the City. In addition, the CRA provides for affordable housing and childcare citywide.

Distribution of Service within the City

A seven-member Board of Commissioners appointed by the Mayor oversees the CRA. The Board appoints an administrator who supervises staff in such fields as engineering, urban planning, finance, audit, housing, real estate, architecture, equal opportunity and management.

The CRA's central offices are located at 354 South Spring Street in downtown Los Angeles. All central administration occurs in this office with the exception of Central Maintenance. This division, located at 1119 W. 25th Street in Los Angeles, maintains all CRA-owned properties. All of the CRA's redevelopment projects are administered through 10 project site offices, one of which is located in the Harbor area. The two redevelopment project areas in the Harbor - Beacon Street and the Los Angeles Harbor Industrial Center - are administered through the Harbor site office located at 521 West Fifth Street, Suite 200.

Cost of Service

It is assumed that all costs associated with the redevelopment areas in the Harbor would be recovered through available tax increment revenue, and that no costs would be allocated to the Harbor City. However, although the CRA does not receive appropriations from the City's General Fund, there are several complex financial arrangements between the two entities that must be accounted for as part of a special reorganization. These arrangements generally include, but are not limited to, loans from the City of Los Angeles to the CRA, and CDBG grants programmed to the CRA by the City. In addition, the CRA itself has advanced certain discretionary revenues to project areas within the Harbor, to make-up for the unavailability of tax increment revenue in those project areas. It is planned by the CRA that the Harbor project areas that have benefited from any loans or advances are expected to repay these liabilities from available, future tax increment revenue. Should a special reorganization occur, the redevelopment areas that would become redevelopment areas within the proposed Harbor City would need to continue any repayment of the proportional share of any City loans in order that the contractual obligation to the City is not negatively impacted.

The CRA has also issued bonds secured by tax increment revenue in both the Beacon Street and the Los Angeles Harbor Industrial Center project areas. In the event of a special reorganization, the tax increment in these project areas must continue to be pledged for repayment of the bonds, so long as the bonds are outstanding.

Wastewater Service

The City of Los Angeles Bureau of Sanitation operates the sewage systems that collect, treat, and dispose of sewage that originates in the City of Los Angeles and in communities located outside the City that contract for this service. In Los Angeles and Orange Counties, wastewater systems are in general regional in scope, while water systems are more local. There exist more than 500 separate local water systems in Los Angeles and Orange Counties, but most of the wastewater is discharged into three regional systems operated by the City of Los Angeles, the Consolidated Los Angeles County Sanitation Districts, and the County Sanitation Districts of Orange County.

Background

The Los Angeles system discharges sewage to the Pacific Ocean after it has been treated, either at the Hyperion treatment plant (located in El Segundo), or at the Terminal Island treatment plant. Sewage is also treated at the Los Angeles Glendale Water Reclamation Plant (LAGWRP) and at the Tillman Water Reclamation Plant, and sludge generated at those facilities is transported via pipes to Hyperion. The system accepts, treats, and discharges all or a portion of the wastewater generated by its contract agencies and dischargers. This contract service includes discharge originating both within and outside the City of Los Angeles. Specific capacity is reserved to the contract agencies under the terms of the individual contracts.

External Regulations

Pursuant to federal and California legislation, P.L. 92-500 and amendments (the Clean Water Act first passed in 1972), the City's sewage system has received grants and low interest loans to assist in financing capital facilities. Conditions are attached to these grants and low interest loans. Conditions that protect dischargers located outside of the City are as follows:

- The City pledges to maintain and keep serviceable those facilities that were in part financed through grant money and low interest loans, throughout their useful lives,
- User charges for all dischargers must be proportional to their discharge of flows and strengths (Biochemical Oxygen Demand (BOD) and Suspended Solids (SS)).
- Even though Clean Water Grants are no longer available, California administers a State Revolving Fund (SRF) for low interest loans to construct wastewater infrastructure. When the City obtains a low interest loan, the California State Water Resource Control Board (SWRCB), provides oversight and certification review to ensure user charges comply with regulations of the State of California, known as Revenue Program Guidelines. The certification process includes a review of sewage user charges to determine that they in fact are proportional to discharge quantities and strengths, and that every discharger that discharges like quantities of sewage are charged the same.

The end result of this external regulation is that the City of Los Angeles charges its contract customers the same as its individual dischargers located inside the City, with the following exceptions:

- The City maintains an analytical staff that calculates and projects sewage fees and provides periodic updates to the contracting agencies,
- It charges an administrative fee outside the City, which is customary and usual practice,
- Contract agencies are charged for trunk and interceptor sewer capacity based on their contracted-for capacity in the pipe reaches, and
- There exist contracts with agencies entered into prior to the formulation of the California Revenue Program Guidelines. These agencies pay for service based on the proportional

quantity of their discharge. As these existing contracts reach the end of their lives, they are renegotiated, pursuant to Federal and California requirements, so that the agencies pay for the treatment and disposal of their discharge proportional to flows and strengths, using the same factors applied to the individual or retail dischargers located within the City limits.

Organizational Format

There appear to be alternative organizational formats for the new Harbor City to convey its sewage to suitable locations for treatment and disposal:

1. Enter into an arrangement to contract for wastewater service with the City of Los Angeles. Unlike the other outside City contract agencies, the City of Los Angeles would own and operate all facilities - collection systems, trunks and interceptor sewers, treatment facilities, and ocean outfalls. The dischargers located in the new Harbor City would continue as retail customers of the City of Los Angeles and be billed for wastewater service directly by the City of Los Angeles.
2. Separate the physical facilities and form independent wastewater utilities.
 - A. The new city would operate and maintain its individual collection system (pipes that collect wastewater from the individual premises). Los Angeles would continue to own the major trunk and interceptor sewers, the treatment facilities, and ocean outfalls. The Harbor City would contract with the City for the conveyance of sewage through these trunk sewers and interceptors to the City's treatment facilities for processing and disposal, similar to the other agencies under contract and located outside of the City limits.

To implement this alternative, collection sewers would be transferred to the new city. The new city would need to finance capital improvements required to separate this collection system from the existing City of Los Angeles collection systems such that Los Angeles would be "made whole" for this separation. This separation would require an engineering analysis.

The new city would be billed for "wholesale" service by the City of Los Angeles, like other contract agencies located outside the City limits. An administrative fee would be charged. Rate structures would be devised and implemented by the new city that would pass on costs to the individual dischargers proportional to their respective discharges of volumes and strengths of sewage, consistent with the California Revenue Program Guidelines.

B. It is theoretically possible to form an entirely independent Harbor City sewage system, using the existing configuration of the City's sewage system. The City's Terminal Island Treatment Plant currently treats sewage primarily from the proposed Harbor area of special reorganization, and is not expected to handle sewage from other areas of the City in the future. Therefore, from an engineering perspective, the plant could likely be transferred to the proposed Harbor City without any modifications to the plant or collection system.

Transferring financial responsibility for the plant would, however, be a more complicated matter. The City has funded its wastewater system, as a whole, using several revenue sources including grants and wastewater system revenue bonds. User fees for City ratepayers have been set to recover systemwide costs without consideration of the method used to fund regional facilities. In the event of a special reorganization and transfer of the Terminal Island plant to the proposed Harbor City, a "rate basis" would need to be created for the Harbor City ratepayers. That is, the Harbor City sewer rates would need to recover on-going capital and operating costs of the Terminal Island plant, as well as any other costs imposed as a result of a special reorganization. These costs could differ from the capital and operating costs for the remaining Los Angeles wastewater system, which could, barring any

action to mitigate the impact by LAFCO, either increase or decrease the rate basis for Harbor City ratepayers.

Wastewater Rates After Special Reorganization

This estimate of wastewater rates applying to the proposed new city presumes the lower cost, or more definitive, Alternative 1 (Los Angeles would continue to operate an integrated wastewater system). User charge levels would be identical to those assessed to inside the City customers, and would be proportional to the discharge of volumes and strengths of sewage. For Alternative 2A, user charges would be higher than for inside the City dischargers because of the following factors:

- An administrative fee would be charged.
- The new city would finance the cost of an engineering study and subsequent capital improvements required to separate its collection system from the collection system of the City of Los Angeles. It is thought that collection system modifications would be less extensive and less costly than those required for the separation of the water system discussed within that section of the report. Users would finance the annual capital costs resulting from these capital improvements.
- User charge levels would be different because the service areas of the new city would be assessed their actual use of trunk and interceptor sewers. That is, Los Angeles would charge for trunk and interceptor use based on the proportional use of actual pipe reaches by the new city. Currently, as an integrated system, all retail dischargers within the City of Los Angeles are charged at a uniform rate for the use of trunk and interceptor sewer capacity.

User charges for Alternative 2B would require the development of a preliminary rate study that identifies the cost basis for the Harbor area separate from the rest of the City. This preliminary rate study has not been prepared as part of the initial fiscal analysis.

The following concepts are used by the City of Los Angeles to distribute costs to their ratepayers.

Retail dischargers are individual dischargers connected directly to the City's collection system and are not provided wastewater service under contract. Basic sewer service charges (SSCs) for retail domestic strength customers are projected to be as follows:

SEWER SERVICE CHARGES RETAIL DOMESTIC STRENGTH

Fiscal	
<u>Year</u>	<u>Per HCF</u>
2001	\$2.26
2002	\$2.26
2003	\$2.26
2004	\$2.34
2005	\$2.44

For higher strength retail dischargers, industrial surcharges apply, based on their discharge of Biochemical Oxygen Demand (BOD) and Suspended Solids (SS).

INDUSTRIAL WASTE SURCHARGE

Fiscal		
<u>Year</u>	<u>Per lb BOD</u>	<u>Per lb SS</u>
2001	\$0.26	\$0.34
2002	\$0.26	\$0.34
2003	\$0.26	\$0.34
2004	\$0.27	\$0.35
2005	\$0.28	\$0.37

A Sewage Facilities Charge (SFC) is also assessed new applicants for service. This connection fee assists in financing new capacity required for growth and is sometimes called a “buy-in” fee. SFCs for inside the City customers are \$262.00 per 100 gallons per day of flow, \$188.00 per pound per day of BOD, and \$171.00 per pound per day of SS. Discharges are estimated for various types of customers based on physical characteristics of the development, including gross square footage, number of restaurant seats, and other development information as applicable.

Contract Agency Charges

The form of new agreements that contain “universal terms” had been negotiated with many of the 27 contract agencies by 1999. These terms are being offered to the other contract agencies. Under these terms, Amalgamated System Sewage System Charges (ASSSCs) and Amalgamated System Sewage Facility Charges (ASSFCs) are defined that are equivalent to the inside the City SSCs and SFCs, respectively. ASSSCs have been broken into the following parts:

A conveyance portion with the following projected wholesale rates expressed as \$ per million gallons per day (mgd) per mile:

WHOLESALE WASTEWATER RATES - CONVEYANCE (per mgd)

<u>Fiscal Year</u>	<u>Rate</u>
2001	\$17.71
2002	\$27.87
2003	\$23.46
2004	\$18.17
2005	\$16.40

The treatment portion with the following projected wholesale rates, expressed as a flow rate, \$ per million gallons, BOD rate, \$ per thousand pounds, and SS rate, \$ per thousand pounds:

WHOLESALE WASTEWATER RATES - TREATMENT

<u>Fiscal Year</u>	<u>Flow</u>	<u>BOD</u>	<u>SS</u>
2001	\$338.82	\$163.37	\$115.22
2002	\$348.23	\$161.19	\$111.89
2003	\$261.83	\$165.36	\$117.43
2004	\$267.75	\$157.37	\$140.16
2005	\$252.53	\$154.90	\$118.95

Connection Fees or ASSFCs are not projected, and because they are based on the value or cost of existing equipment, they should not vary substantially from year-to-year. ASSFCs are calculated as follows:

AMALGAMATED SYSTEM SEWAGE FACILITY CHARGES

<u>Category</u>	<u>Rate</u>	<u>Basis</u>
Conveyance	\$86,400	\$ per mgd/mile
Treatment Flow	\$1,400,000	\$ per mgd
BOD	\$465	\$ per thousand pounds
SS	\$345	\$ per thousand pounds

A transfer to the General Fund (General Fund Reimbursement Charge or GFRC) is also assessed. The City has reported that this charge will be phased out over the next two years. Wastewater user charges to the new city would be calculated based on the published tariff rates set forth above, depending on whether the organizational alternative 1, 2A, or 2B is selected.

Stormwater Service

The City of Los Angeles Bureau of Sanitation operates a portion of the stormwater drainage and flood control facilities that help to prevent flooding in and around the City of Los Angeles. "Storm drainage" and "flood control" are terms that, for this report, will be used interchangeably. Extensive construction of storm drainage facilities has occurred over the past century, and this system of open channels (including the Los Angeles River), flood control basins, storm drains, catch basins, culverts, low flow diversion structures, pumping plants, debris basins, detention basins, and spreading grounds have been constructed utilizing the resources of many federal, state and local government agencies. More specifically, the following agencies own and operate flood control facilities in the region: U. S. Army Corps of Engineers, Los Angeles County Flood Control District, City of Los Angeles, and the State of California Department of Transportation (Caltrans).

Because the various agencies are empowered to establish their own policies, regulations, and design criteria, flood control facilities in Los Angeles County can be designed differently depending on the responsible agency. As a result of this activity over the past century, there exist a large infrastructure of flood control facilities in Los Angeles County and within the City limits that are owned and operated by different agencies, each with differing roles and missions.

Storm water management strategies that have been implemented to control urban runoff pollution include frequent street sweeping, and labeling stormwater facilities at the curbs to provide reminders that what is dumped goes to the ocean,

There also exist different issues that have in the past and will in the future impact the operating strategies, costs, and how new and upgraded flood control facilities will be designed. Current issues include how to deal with biological, solid waste, and dissolved contaminants pollution that are washed into the flood control facilities including the Los Angeles River, and the desires of many to return open channels to their natural and "green" states.

The goals and purposes of stormwater management that have caused these facilities to be constructed include:

- Collect and transport storm drainage and storm runoff,
- Prevent local flooding caused by rainfall,
- Construct detention facilities on the parcel site to constrain the rate of runoff to that rate that existed before development, and
- Manage programs (i.e., street sweeping) and construct facilities to prevent, control and/or treat urban runoff pollution.

Background

Over the past 40 years, the U.S. Army Corps of Engineers has constructed the Hansen and Sepulveda Flood Control Dams and 15 major channels within the City of Los Angeles, including the Los Angeles River, Pacoima Wash, Tujunga Wash, Sawtelle-Westwood Flood Control System, and the Ballona Creek. These structures were built to contain the 100-year flood. The U.S. Army Corps of Engineers also built six debris basins along the foothills of the San Fernando Valley. Additionally, the Los Angeles County Flood Control District constructed 11 debris basins, 16 major channels in the San Fernando Valley, 5 major channels, including portions of Ballona Creek that collect storm flows from West Los Angeles and discharge into the Pacific Ocean, and the Laguna Dominquez Flood Control System that drains the southern portion of the west area of the City and a portion of the Harbor area, discharging into San Pedro Bay.

The City of Los Angeles operates and maintains approximately 1,100 miles of open channels and underground drains. The Los Angeles County Flood Control District has constructed and is responsible for the operation and maintenance of approximately 1,000 miles of storm drain projects within the City, financed by bond issues. As an example, Bond Issue Storm Drain Project No. 5204 on Jefferson Boulevard, operational in February 1983, reduced the extent of surface water inundation by increasing the capacity of subsurface storm drains. As a result the local flood plain designated areas were revised.

All local storm drains provide relief to flood prone areas. The City and the Los Angeles County Flood Control District operate and maintain 13 pumping plants in the Harbor, San Fernando Valley, and West Los Angeles areas to alleviate inundation and flooding of low-lying areas during storms.

The City of Los Angeles does not have operations and maintenance responsibility for the primary flood control systems within and around the City of Los Angeles. The primary systems are operated and maintained by the U. S. Army Corps of Engineers and the Los Angeles County Department of Public Works on behalf of the Los Angeles County Flood Control District.

U. S. Army Corps of Engineers

The United States Army Corps of Engineers (Corps) operates the large open flood control channels within the City of Los Angeles. The Flood Control Act of 1936 is the primary regulatory requirement of the Corps. Under this Act, the role of the Corps was redirected from emergency relief to permanent supervision of the future flood control plans, including construction and supervision of flood control features located in the Los Angeles and San Gabriel rivers. The flood control features are primarily concrete conduits, built along the natural stream courses. They are designed to safely carry the runoff from a 100-year storm into either Santa Monica Bay or San Pedro Bay.

Los Angeles County Department of Public Works

The Los Angeles County Department of Public Works (LACDPW) carries out the responsibilities of the Los Angeles County Flood Control District (LACFCD). Formed under a 1915 Act of the State Legislature, the LACFCD's purpose is to provide and integrate flood control facilities countywide. LACFCD owns, operates, and maintains a flood control system within the City that consists of typically larger diameter storm drains. The majority of LACFCD storm drains form a network of pipes, channels, and tributaries that connect to the major flood control channels owned and operated by the Corps. There are also portions of the larger river systems (Arroyo Seco, Los Angeles, and San Gabriel) that are owned and operated by LACFCD.

Estimates of the historical projected stormwater flow by drainage area are found at LACDPW's website, <http://dpw.co.la.ca.us/wrd/report/index.cfm>, and in the following documents:

1. Los Angeles County Department of Public Works and Federal Emergency Management Agency, Flood Insurance Study, 1980, with periodic updates through July 1999.
2. Los Angeles County Department of Public Works, Hydrologic Report, available for all years through 1998-99.

Financial Information

Sources of funds for the system include revenues from the parcel charge, known as the Stormwater Pollution Abatement Charge (SPAC), interest on invested cash balances, and prior year balances.

Applications of funds include:

- Charges to the program by other City departments that perform chargeable tasks,
- Direct charges for operation and maintenance, replacement, and planning provided by engineering, sanitation, and street maintenance functions,

- Capital expenditures, and
- Other administrative functions, including issuing National Pollution Discharge Elimination System (NPDES) permits.

Current Rates (Stormwater Pollution Abatement Charge or "SPAC")

It is assumed for the purposes of this analysis that the City of Los Angeles would continue to provide for the maintenance of the Harbor stormwater system, and would continue its existing efforts to reduce stormwater solids, such as catch basin repair and point-source interventions efforts, and would assess a stormwater pollution abatement charge to Harbor City residents.

The City of Los Angeles first approved a Stormwater Pollution Abatement Charge in 1990. It was modeled after the equivalent charge used by the LACFCD to finance the Benefit Assessment District voters created to finance flood control activities. This charge is a fee like utility user charges, but is collected via the property tax bill. Because of the collection mechanism, those parcels that do not receive property tax bills (certain tax exempt and governmental organizations) do not receive and do not pay the SPAC.

Monies collected from this fee are used to fund the Stormwater runoff abatement efforts. The charge is designed such that the charge for each parcel is proportional to the relative amount of runoff from the parcel. It is calculated based on the size of the parcel, and land use (land use determines the runoff coefficient).

A Base Assessment Unit (BAU) Charge, also known as an Equivalent Residential Unit (EDU) charge is computed that relates to a typical single family dwelling unit. Charges for other than single family residences are determined by applying factors to the BAU charge. The factors defined in the City Ordinance (1990 Ordinance is CF 90-0067-S1) are: "Run-Off Factor", a number that represents the typical run-off from a parcel for a particular land use, and parcel area. A typical single family dwelling unit has a Run Off Factor of 0.4176 and a parcel area of 0.1526 acres (6,650 square feet). The product of the two factors, that defines the BAU, is 0.0637. The basic Allocation Unit Charge for single family residences is established at \$28.26 annually.

The factor for each parcel is determined using the following formula:

$$\text{Parcel Factor} = \frac{(\text{parcel area in acres}) \times (\text{parcel run - off factor})}{\text{Basic Assessment Unit}}$$

Formation of Storm Drainage System - Function For The New City

The storm drainage facilities owned and operated by the City of Los Angeles include storm drains of special benefit to specific parcels, with the larger storm drain and flood runoff facilities owned and operated by other agencies. Therefore, storm drainage and flood control in the Los Angeles region is a responsibility of general purpose governments and could become a responsibility of the new city. Unlike the City's water, sewer, or power systems, there are no inherent barriers to a transfer of City stormwater system assets in the Harbor area. The stormwater system is localized and not a large regional system that has been funded by debt or grant funding, and does not involving complex contractual arrangements such as a power supply contracts.

However, other than the assets within the right-of-way of the streets (e.g. gutters and stormwater drains), no other stormwater system assets must transfer to the new city as an operation of law. Given the City of Los Angeles may initially retain ownership of the stormwater system, it is assumed for the purposes of this report, that the City of Los Angeles would continue to maintain the local

stormwater system in the Harbor area, and would provide services including catch basin repair and point-source interventions efforts, and would assess the stormwater pollution abatement charge to the Harbor residents.

Claims, Judgments, and Bonded Indebtedness

This section addresses the allocation of the City's claims, judgments, and bonded indebtedness to the Harbor, and identifies some of the legal parameters to be considered.

Claims and Judgments Payable

As of June 30, 2000, the City reported \$665.5 million in unpaid claims, comprised of \$295.4 million for unpaid lawsuits and claims and \$370.1 million for workers' compensation losses.²⁶ The reported unpaid claim amount for future tort liabilities and future workers' compensation is a present value estimate based on actuarially estimated future claims. The City reports claims and judgments "when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated."²⁷ The amount of reported unpaid lawsuits and claims includes \$29.2 million for approved settlement payments related to the Los Angeles Police Department Rampart Division Investigation.

The City provides for the actual payment of any claim in its annual budget. As shown in the table below for fiscal year 2000-01, the City has budgeted \$149.3 million for the payment or settlement of legal action, workers compensation, and police-related liability.

CITY OF LOS ANGELES FY 2000-01 BUDGETED CLAIMS AND JUDGMENTS	
Description	2000-01 Budget
Workers' Compensation	\$ 85,951,000
Liability Claims	55,700,000
Reserve for Extraordinary Liability Claims	7,659,913
Total	\$ 149,310,913

In the event of a special reorganization, it is assumed the Harbor City would be allocated a share of the City's workers' compensation appropriation in an amount proportional to the total number of employees providing services to the Harbor.

Because the Government Code generally requires that the new city assume responsibility for a proportional share of the debts of the remaining city, it is assumed in this analysis that the Harbor City would be responsible for a proportion of the City's currently recognized (accrued but not expended) liability claims. This proportion is assumed, for the purposes of this analysis, to be equal to the total number of employees that would transfer to the Harbor City, as this approximates the proportional cost of service to be allocated.

Rampart Division Claims

The City is currently funding a reserve for expected claims resulting from Rampart Division investigations. The City has set aside \$22.34 million in its Reserve for Extraordinary Liability Claims Fund as of July 1, 2000. A Harbor City would not be required to accumulate a similar reserve for extraordinary claims, and it is uncertain to what extent the Harbor City would be liable for future claims. Although the City has estimated a potential Rampart Division liability of \$125 million, these liabilities are not currently reported as a liability of the City and may not be realized. Therefore, it is assumed that the Harbor City would not be allocated the cost of an extraordinary reserve, and any Rampart Division claims would be funded from the City's existing reserve. However, the new city

²⁶ Source: City of Los Angeles, *Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2000*.

²⁷ Ibid, p. 34.

would remain potentially liable for judgments arising from Rampart Division in excess of reserves, pursuant to Government Code Sections 56121 and 57354.

Bonded Indebtedness

As of August 1, 2000, the City of Los Angeles had \$9.9 billion outstanding in bonded indebtedness. The outstanding debt of the City is comprised of voter approved general obligation and special tax bonds, lease obligations issued by the Los Angeles Convention and Exhibition Center Authority or the Municipal Improvement Corporation of Los Angeles (MICLA), judgment obligation bonds, and various revenue bonds. The table below shows the outstanding debt of the City by type of debt.

CITY OF LOS ANGELES OUTSTANDING DEBT	
Type of Debt	Amount*
General Obligation Bonds	\$ 551,220,000
Special Tax Bonds	168,885,000
Lease Obligations	1,156,035,000
Judgment Obligation Bonds	99,325,000
Revenue Bonds	7,937,870,000
Total	\$ 9,913,335,000

* As of August 1, 2000.

Source: City of Los Angeles Office of Administrative and Research Services.

Impairment of Contracts

An issue to consider relating to the City's debt is the potential impact on the City's bondholders upon a Harbor area special reorganization. The City has made certain covenants to bondholders, and the potential impact on these covenants must be addressed when identifying alternatives for the apportionment of debt between the City of Los Angeles and Harbor City.

Article I, section 10 of the U.S. Constitution, which is known as the "Contracts Clause," states in relevant part: "No state shall . . . pass any . . . Law impairing the Obligation of Contracts . . ." Substantially similar language is found in Article I, section 9 of the California Constitution, and California courts have generally considered both constitutional provisions under the same analysis. The leading case interpreting the Contracts Clause in the public finance context is U.S. Trust Company of New York v. State of New Jersey, 431 U.S. 1 (1977).

The analysis under U.S. Trust, as interpreted by the recent California appellate court decision Board of Administration v. Wilson, 52 Cal.App.4th 1109 (1997), poses the following questions: First, is there a valid contract? Second, is the impairment substantial? Third, is this substantial impairment nonetheless permissible as a reasonable and necessary exercise of government power to serve an important public purpose?

Under California court decisions, the question of whether the substantial impairment at issue is permissible as reasonable and necessary is to be determined on a "strict scrutiny" basis. In other words, the impairment must be narrowly tailored to further a compelling governmental interest. The state must use the least intrusive means to achieve its goals.

The allocation of various types of bond liability between the City of Los Angeles and the new Harbor City is analyzed below under existing Contract Clause protections. A review of relevant state and federal judicial decisions yields the following general principles:

- Impairment must be “reasonable” in response to changed circumstances.
- Impairment must be “necessary,” which means narrowly tailored to further a compelling state interest.
- Loss of even a portion of the security for bonds may be unconstitutional.
- Changes in the market value or credit rating of bonds may indicate whether impairment has taken place.
- The Cortese-Knox Act lets bondholders and other creditors ignore the special reorganization in order to enforce their rights if their bonds go into default.

General Obligation Bonds

General obligation bonds are secured by ad valorem taxes levied against specific parcels of real property. The bonds may be secured by taxes on all real property within City limits, or in a more limited area, but the salient feature is the fact that the affected parcels are identifiable. This liability should not be apportioned geographically between the City of Los Angeles and the new Harbor City. Instead, the parcels which are currently encumbered by the ad valorem tax lien should remain so encumbered until the general obligation bonds are paid in full. This course of action results in no impairment of bondholders’ contracts.

The requirement to repay the general obligation debt of the City will likely remain with the property, regardless of whether the property becomes part of new Harbor City. Therefore, in the event of a special reorganization, it is assumed that the property owners of the Harbor area would continue to be liable for repayment of the bonds. It is further assumed that the City would continue to determine the general obligation tax levy on property owners and provide for payment of debt service to bondholders. Under this scenario, payment of the general obligation tax would be made to the City (through the Los Angeles County Tax Collector) by all properties currently subject to the tax, and no budget appropriation would be required by a Harbor City.

Assessment Bonds and Special Tax Bonds

Assessment bonds and special tax bonds are secured by assessments and Mello-Roos special taxes, respectively, levied against specified real property within an assessment district or community facilities district. As with general obligation bonds, such liabilities should not be apportioned geographically, but instead it is assumed that the parcels that are currently encumbered would remain encumbered until the bonds are paid in full. This course of action results in no impairment.

Enterprise Revenue Bonds

Enterprise revenue bonds are special, limited obligations secured by a pledge of revenues generated by one of the proprietary departments of the City of Los Angeles.

Any significant transfer of an enterprise’s revenue-producing assets will raise impairment issues, especially if the relevant bond documents include covenants prohibiting the sale, lease or transfer of any part of the enterprise. Since LAFCO has extensive flexibility in establishing the conditions for approval of the special reorganization, it will be more difficult to justify impairments as being reasonable and necessary. Therefore, it is assumed for the purposes of this analysis that the proprietary departments and their related bond obligations would remain with the City of Los Angeles, which would provide service to the Harbor City through contractual arrangements.

Certificates of Participation and Lease Revenue Bonds

Certificates of participation (COPs) and lease revenue bonds are unsecured obligations of the general fund of the City of Los Angeles, payable under financing leases that encumber real or personal property with annual lease payments equal to the debt service requirements of the related securities.

In order to comply with State Constitutional debt limit provisions (Art. XVI, Section 18), the apportionment of obligations represented by COPs generally should be based on where the leased property is located. This should not raise impairment problems so long as the market value and credit ratings of the COPs are not adversely affected by such apportionment.

For the City's lease obligation bonds, the liability for repayment is not tied to property owners, but is paid from the City's General Fund. In the event of a special reorganization, the City would lose General Fund revenue, and the City's ability to repay the lease obligations would be diminished. To ensure that the rights of bondholders are not negatively impacted as a result of a special reorganization, a form of payment from the Harbor City for the City's lease obligations would likely be required. It is assumed the proposed Harbor City would make payment for a portion of the City's outstanding lease obligations according to the proportion of assets financed that would continue to provide services to the Harbor City upon a special reorganization.

Unfortunately, the City does not retain comprehensive records that identify the location of assets financed with lease obligation bonds or certificates of participation. Therefore, for projects and equipment where the location is not obvious, assumptions must be relied on to estimate the apportionment of liability between the City of Los Angeles and the Harbor City. The table below lists the outstanding lease obligation issues, the projects financed, and the assumed debt service apportionment to the Harbor City.

Issue	Project	Assumed Debt Service Apportionment to Harbor City
1990A	Harbor City	100%
1990B	Harbor City	100%
1990C	Harbor City	100%
1990D	Harbor City	100%
1990E	Harbor City	100%
1990F	Harbor City	100%
1990G	Harbor City	100%
1990H	Harbor City	100%
1990I	Harbor City	100%
1990J	Harbor City	100%
1990K	Harbor City	100%
1990L	Harbor City	100%
1990M	Harbor City	100%
1990N	Harbor City	100%
1990O	Harbor City	100%
1990P	Harbor City	100%
1990Q	Harbor City	100%
1990R	Harbor City	100%
1990S	Harbor City	100%
1990T	Harbor City	100%
1990U	Harbor City	100%
1990V	Harbor City	100%
1990W	Harbor City	100%
1990X	Harbor City	100%
1990Y	Harbor City	100%
1990Z	Harbor City	100%

Appendix III Allocation of Port of Budget

**ALLOCATION OF CITY OF LOS ANGELES
LEASE OBLIGATION BONDS AND CERTIFICATES OF PARTICIPATION DEBT SERVICE**

<u>Series</u>	<u>Project</u>	<u>% Harbor Area Allocation</u>	<u>Allocation Method</u>
LA Convention and Exhibition, 1990 Series	Convention Center	0%	Project location
LA Convention and Exhibition, Ref. 1993 Series A	Convention Center	0%	Project location
LA Convention and Exhibition, 1998 Series A	Staples Arena	0%	Project location
MICLA Special Tax Refunding Series 1998-C	Police ECCCS	0%	Retained by City
MICLA Special Tax Series 1999-D	Police ECCCS	0%	Retained by City
MICLA Special Tax Series Refunding 1999-E	Police ECCCS	0%	Retained by City
MICLA (Pershing Square)	Pershing Square Park	0%	Project location
MICLA 1993 Series A	Central Library	0%	Project location
MICLA 1993 Refunding Series B	Central Library	0%	Project location
MICLA Program S	Equipment/Real Property	4.24%	Employees
MICLA Program T	Piper Technical Center	0%	Project location
MICLA Program U	Equipment	4.24%	Employees
MICLA Program X	Equipment/Real Property	4.24%	Employees
MICLA Program W	Equipment	4.24%	Employees
MICLA Program H Additional	West LA parking facility	0%	Project location
MICLA Program T Additional	Real Property	4.24%	Employees
MICLA Program AA	Equipment	4.24%	Employees
MICLA Program AC	Equipment/Real Property	4.24%	Employees
MICLA Program H	Real Property	4.24%	Employees
MICLA Program H Refunding	Real Property	4.24%	Employees
MICLA Program K Refunding	Real Property/Furnishings	4.24%	Employees
MICLA Program Q Refunding	GS Radio Comm. Sys.	4.24%	Employees
MICLA Program AE	Equipment/Real Property	4.24%	Employees
MICLA Program AK	Hollywood/Highland Theater	0%	Project location
MICLA Program AL	Equipment/Capital Imp.	4.24%	Employees
MICLA Program AM	Equipment	4.24%	Employees

Appendix III: Allocation of FY00-01 Budget

The following tables represent the proportional allocation of each of the City's appropriations in the fiscal year 2000-01 budget, as shown in the "Exhibit A, Summary of Appropriations," for purposes of estimating the amount of current expenditures that would accrue to the proposed Harbor City. Also included is a detailed allocation of the City's "Other Special Purpose Funds Appropriations."

TABLE E-1
HARBOR APPROPRIATIONS BY CLASS (OBJECT)
FY 2000-01 BUDGET

<u>Class</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>
Salaries	1,954,830,285	4.31%	84,293,876
Expense	348,782,555	2.85%	9,940,656
Equipment	15,354,660	4.10%	629,378
Special	1,989,770,998	3.16%	62,958,958
Subtotal, Appropriations	\$ 4,308,738,498		\$ 157,822,869
Administration Costs			315,646
Total, Purchased Services			\$ 158,138,514

**TABLE E-2
HARBOR AREA SPECIAL REORGANIZATION
STAFFING ANALYSIS**

Description	2000-01 Budgeted Positions	Commission Positions / Citizen Board Members	2000-01 Budgeted Positions*	Harbor Allocation	% Harbor Allocation
Administrative and Research Services	118	-	118	4.50	3.81%
Aging	48	-	48	0.25	0.52%
Animal Services	247	5	242	19.75	8.16%
Board of Public Works	63	5	58	1.25	2.16%
Building & Safety	829	10	819	38.75	4.73%
Bureau of Accounting	84	-	84	2.00	2.38%
Bureau of Contract Administration	331	-	331	11.75	3.55%
Bureau of Engineering	976	-	976	39.50	4.05%
Bureau of Management-Employee Services	24	-	24	0.50	2.08%
Bureau of Sanitation	2,421	-	2,421	35.25	1.46%
Bureau of Street Lighting	213	-	213	19.25	9.04%
Bureau of Street Services	1,241	-	1,241	21.25	1.71%
City Attorney	826	-	826	30.00	3.63%
City Clerk	126	-	126	5.00	3.97%
Commission for Children, Youth & Their Families	41	15	26	0.50	1.92%
Commission on the Status of Women	12	7	5	0.25	5.00%
Community Development	274	-	274	11.00	4.01%
Controller	171	-	171	7.50	4.39%
Council	108	15	93	3.75	4.03%
Cultural Affairs	91	12	79	7.25	9.18%
Department on Disability	26	9	17	0.75	4.41%
Emergency Preparedness Department	11	-	11	0.50	4.55%
Employee Relations Board	8	5	3	0.25	8.33%
Environmental Affairs	42	5	37	1.50	4.05%
Ethics Commission	27	5	22	1.25	5.68%
Finance	344	-	344	9.00	2.62%
Fire	3,496	10	3,486	305.50	8.76%
General Services	1,673	-	1,673	59.75	3.57%
Human Relations Commission	26	11	15	0.50	3.33%
Information Technology Agency	745	-	745	31.50	4.23%
Los Angeles Convention Center	198	-	198	-	0.00%
Los Angeles Housing Department	377	-	377	16.25	4.31%
Mayor	74	-	74	3.00	4.05%
Neighborhood Empowerment	32	-	32	-	0.00%
Personnel	372	5	367	14.75	4.02%
Planning	306	49	257	6.00	2.33%
Police	13,650	5	13,645	496.75	3.64%
Transportation	1,472	12	1,460	39.25	2.69%
Treasurer	-	-	-	-	0.00%
Zoo	231	-	231	-	0.00%
Total Budgetary Departments	31,354		31,169	1,245.75	
Appropriations to El Pueblo de Los Angeles	59	-	59	-	0.00%
Appropriations to Library Fund	1,102	5	1,097	34.50	3.14%
Appropriations to Recreation and Parks Fund	1,884	5	1,879	179.25	9.54%
Appropriations to City Employees' Retirement Fund	138	7	131	-	0.00%
Appropriations to Fire & Police Pension Fund	70	9	61	-	0.00%
Total Other Departments	3,253		3,227	213.75	
Total Departmental	34,607		34,396	1,459.50	4.24%

* Regular positions only; excludes commissioners and citizen board members.

TABLE E-3
HARBOR ALLOCATION OF SALARY CLASS APPROPRIATIONS
FY 2000-01 BUDGET

<u>Description</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>
Administrative and Research Services	9,039,889	3.81%	344,742
Aging	2,698,072	0.52%	14,052
Animal Services	10,866,184	8.16%	886,806
Board of Public Works	3,745,133	2.16%	80,714
Building & Safety	50,388,645	4.73%	2,384,078
Bureau of Accounting	3,956,809	2.38%	94,210
Bureau of Contract Administration	22,118,303	3.55%	785,166
Bureau of Engineering	64,215,249	4.05%	2,598,875
Bureau of Management-Employee Services	1,492,418	2.08%	31,092
Bureau of Sanitation	133,937,170	1.46%	1,950,138
Bureau of Street Lighting	11,562,072	9.04%	1,044,929
Bureau of Street Services	68,092,628	1.71%	1,165,970
City Attorney	63,850,621	3.63%	2,319,030
City Clerk	10,745,792	3.97%	426,420
Commission for Children, Youth & Their Families	1,333,817	1.92%	25,650
Commission on the Status of Women	358,404	5.00%	17,920
Community Development	16,984,089	4.01%	681,843
Controller	10,070,408	4.39%	441,685
Council	16,705,773	4.03%	673,620
Cultural Affairs	4,370,402	9.18%	401,081
Department on Disability	981,135	4.41%	43,285
Emergency Preparedness Department	1,009,894	4.55%	45,904
Employee Relations Board	269,095	8.33%	22,425
Environmental Affairs	2,471,178	4.05%	100,183
Ethics Commission	1,351,636	5.68%	76,798
Finance	17,355,954	2.62%	454,080
Fire	327,699,868	8.76%	28,718,391
General Services	84,391,569	3.57%	3,013,985
Human Relations Commission	809,110	3.33%	26,970
Information Technology Agency	47,353,979	4.23%	2,002,215
Los Angeles Convention Center	13,214,099	0.00%	-
Los Angeles Housing Department	20,723,330	4.31%	893,247
Mayor	6,513,197	4.05%	264,049
Neighborhood Empowerment	1,257,379	0.00%	-
Personnel	22,634,595	4.02%	909,701
Planning	16,810,232	2.33%	392,457
Police	790,388,431	3.64%	28,774,309
Transportation	81,382,654	2.69%	2,187,856
Treasurer	-	0.00%	-
Zoo	11,681,072	0.00%	-
Total Budgetary Departments	\$ 1,954,830,285		\$ 84,293,876

TABLE E-4
HARBOR ALLOCATION OF EXPENSE CLASS APPROPRIATIONS
FY 2000-01 BUDGET

<u>Description</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>
Administrative and Research Services	973,047	3.81%	37,108
Aging	186,359	0.52%	971
Animal Services	1,292,489	8.16%	105,482
Board of Public Works	4,010,442	2.16%	86,432
Building & Safety	3,333,324	4.73%	157,712
Bureau of Accounting	114,140	2.38%	2,718
Bureau of Contract Administration	1,159,224	3.55%	41,151
Bureau of Engineering	4,513,997	4.05%	182,687
Bureau of Management-Employee Services	90,797	2.08%	1,892
Bureau of Sanitation	46,294,812	1.46%	674,057
Bureau of Street Lighting	727,602	9.04%	65,757
Bureau of Street Services	62,654,669	1.71%	1,072,854
City Attorney	6,009,018	3.63%	218,245
City Clerk	3,894,225	3.97%	154,533
Commission for Children, Youth & Their Families	336,883	1.92%	6,479
Commission on the Status of Women	92,706	5.00%	4,635
Community Development	1,571,393	4.01%	63,085
Controller	1,253,052	4.39%	54,958
Council	1,425,339	4.03%	57,473
Cultural Affairs	1,187,235	9.18%	108,955
Department on Disability	221,805	4.41%	9,786
Emergency Preparedness Department	35,018	4.55%	1,592
Employee Relations Board	70,000	8.33%	5,833
Environmental Affairs	264,402	4.05%	10,719
Ethics Commission	364,185	5.68%	20,692
Finance	1,207,076	2.62%	31,580
Fire	16,158,356	8.76%	1,416,058
General Services	77,105,626	2.25%	1,736,232
Human Relations Commission	283,570	3.33%	9,452
Information Technology Agency	17,639,907	4.23%	745,848
Los Angeles Convention Center	8,847,914	0.00%	-
Los Angeles Housing Department	3,877,446	4.31%	167,131
Mayor	565,576	4.05%	22,929
Neighborhood Empowerment	386,700	0.00%	-
Personnel	17,672,662	4.02%	710,277
Planning	1,918,559	2.33%	44,791
Police	36,076,908	3.64%	1,313,390
Transportation	22,212,857	2.69%	597,161
Treasurer	-	0.00%	-
Zoo	2,753,235	0.00%	-
Total Budgetary Departments	\$ 348,782,555		\$ 9,940,656

TABLE E-5
HARBOR ALLOCATION OF EQUIPMENT CLASS APPROPRIATIONS
FY 2000-01 BUDGET

<u>Description</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>
Administrative and Research Services	47,331	3.81%	1,805
Aging	-	0.52%	-
Animal Services	117,680	8.16%	9,604
Board of Public Works	41,900	2.16%	903
Building & Safety	232,524	4.73%	11,002
Bureau of Accounting	41,460	2.38%	987
Bureau of Contract Administration	136,350	3.55%	4,840
Bureau of Engineering	342,965	4.05%	13,880
Bureau of Management-Employee Services	21,840	2.08%	455
Bureau of Sanitation	18,000	1.46%	262
Bureau of Street Lighting	62,530	9.04%	5,651
Bureau of Street Services	132,465	1.71%	2,268
City Attorney	291,509	3.63%	10,587
City Clerk	1,730	3.97%	69
Commission for Children, Youth & Their Families	2,500	1.92%	48
Commission on the Status of Women	-	5.00%	-
Community Development	96,700	4.01%	3,882
Controller	87,889	4.39%	3,855
Council	175,000	4.03%	7,056
Cultural Affairs	144,713	9.18%	13,281
Department on Disability	-	4.41%	-
Emergency Preparedness Department	-	4.55%	-
Employee Relations Board	-	8.33%	-
Environmental Affairs	8,650	4.05%	351
Ethics Commission	14,971	5.68%	851
Finance	111,726	2.62%	2,923
Fire	1,242,240	8.76%	108,865
General Services	1,297,000	3.57%	46,321
Human Relations Commission	-	3.33%	-
Information Technology Agency	525,000	4.23%	22,198
Los Angeles Convention Center	178,900	0.00%	-
Los Angeles Housing Department	7,353	4.31%	317
Mayor	28,324	4.05%	1,148
Neighborhood Empowerment	97,400	0.00%	-
Personnel	122,750	4.02%	4,933
Planning	142,672	2.33%	3,331
Police	9,469,198	3.64%	344,729
Transportation	110,660	2.69%	2,975
Treasurer	-	0.00%	-
Zoo	2,730	0.00%	-
Total Budgetary Departments	\$ 15,354,660		\$ 629,378

TABLE E-6
HARBOR ALLOCATION OF SPECIAL CLASS APPROPRIATIONS
FY 2000-01 BUDGET

<u>Description</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>
Administrative and Research Services	-	0.00%	-
Aging	-	0.00%	-
Animal Services	-	0.00%	-
Board of Public Works	1,075,000	2.16%	23,168
Building & Safety	-	0.00%	-
Bureau of Accounting	-	0.00%	-
Bureau of Contract Administration	-	0.00%	-
Bureau of Engineering	30,000	4.05%	1,214
Bureau of Management-Employee Services	-	0.00%	-
Bureau of Sanitation	-	0.00%	-
Bureau of Street Lighting	3,079,318	9.04%	278,295
Bureau of Street Services	-	0.00%	-
City Attorney	-	0.00%	-
City Clerk	-	0.00%	-
Commission for Children, Youth & Their Families	-	0.00%	-
Commission on the Status of Women	-	0.00%	-
Community Development	-	0.00%	-
Controller	-	0.00%	-
Council	-	0.00%	-
Cultural Affairs	5,883,267	9.18%	539,920
Department on Disability	30,000	4.41%	1,324
Emergency Preparedness Department	-	0.00%	-
Employee Relations Board	-	0.00%	-
Environmental Affairs	-	0.00%	-
Ethics Commission	-	0.00%	-
Finance	-	0.00%	-
Fire	-	0.00%	-
General Services	4,477,041	3.57%	159,894
Human Relations Commission	-	0.00%	-
Information Technology Agency	35,046,510	4.23%	1,481,832
Los Angeles Convention Center	42,562,762	0.00%	-
Los Angeles Housing Department	-	0.00%	-
Mayor	-	0.00%	-
Neighborhood Empowerment	-	0.00%	-
Personnel	1,185,414	4.02%	47,643
Planning	-	0.00%	-
Police	-	0.00%	-
Transportation	-	0.00%	-
Treasurer	-	0.00%	-
Zoo	-	0.00%	-
Total Budgetary Departments	\$ 93,369,312		\$ 2,533,290
Appropriations to El Pueblo de Los Angeles	3,093,094	0.00%	-
Appropriations to Library Fund	50,574,878	3.14%	1,590,550
Appropriations to Recreation and Parks Fund	94,273,330	9.51%	8,969,348
Appropriations to City Employees' Retirement Fund	67,523,133	4.24%	2,862,981
Appropriations to Fire & Police Pension Fund	500,000	6.20%	31,010
Total Other Departments	215,964,435		13,453,889
Total Departmental	\$ 309,333,747		\$ 15,987,179
2000 Tax and Revenue Anticipation Notes	141,328,275	6.20%	8,765,288
Bond Redemption and Interest	64,152,969	0.00%	-
Capital Finance Administration Fund	90,234,992	3.32%	2,993,286
CIEP - Municipal Facilities	16,087,028	0.99%	159,726
CIEP - Physical Plant	36,612,875	0.99%	363,523
CIEP - Wastewater	159,407,000	0.00%	-
General City Purposes	79,848,385	4.24%	3,385,572
Human Resources Benefits	260,801,031	4.24%	11,057,964
Judgment Obligation Bonds Debt Service Fund	35,462,617	4.24%	1,503,615
Liability Claims	55,700,000	4.24%	2,361,680

TABLE E-6
HARBOR ALLOCATION OF SPECIAL CLASS APPROPRIATIONS
FY 2000-01 BUDGET

<u>Description</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>
Proposition A Local Transit Assistance Fund	77,524,685	3.98%	3,085,482
Prop. C Anti-Gridlock Transit Improvement Fund	22,983,500	3.98%	914,743
Special Parking Revenue Fund	17,191,429	1.23%	210,739
Unappropriated Balance	73,238,300	4.24%	3,105,304
Wastewater Special Purpose Fund	285,852,989	0.00%	-
Water and Electricity	31,121,871	4.24%	1,319,567
Other Special Purpose Funds	232,889,305	3.33%	7,745,290
Total Nondepartmental	1,680,437,251		46,971,779
Total, Special Appropriation	\$ 1,989,770,998		\$ 62,958,958

TABLE E-7
HARBOR ALLOCATION OF OTHER SPECIAL PURPOSE FUNDS APPROPRIATIONS
FY 2000-01 BUDGET

<u>Fund</u>	<u>Description</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>
General Fund	Affordable Housing Trust Fund	2,104,000	3.00%	63,120
General Fund	Animal Spray and Neuter Trust Fund	310,000	3.98%	12,338
General Fund	Animal Sterilization Trust Fund	300,000	3.98%	11,940
General Fund	Arts and Cultural Facilities and Services Fund	7,969,000	1.22%	97,279
General Fund	City Ethics Commission Fund	1,151,214	4.24%	48,811
General Fund	City Procurement Reengineering Trust Fund	2,594,265	0.00%	-
General Fund	Emergency Operations Fund	598,860	3.98%	23,835
General Fund	L. A. Convention and Visitors Bureau Trust Fund	7,969,000	0.00%	-
General Fund	Los Angeles Zoo Enterprise Trust Fund	8,698,577	0.00%	-
General Fund	Matching Campaign Funds	457,000	3.98%	18,189
General Fund	Municipal Recreation Program	144,000	3.98%	5,731
General Fund	Project Restore Trust Fund	200,000	3.98%	7,960
General Fund	Repayment of Sewer Const. Maint. Fund	1,905,594	3.98%	75,843
General Fund	Repayment of St. Light. Maint. Assmt. Fund	218,575	11.36%	24,838
General Fund	Reserve for Extraordinary Liability Claims	7,659,913	0.00%	-
General Fund	Special Fire Safety Tax Fund	5,215,733	0.00%	-
	Total General Fund	\$ 47,495,731		\$ 389,884
Arts and Cul. Fac. and Services Trust Fund	Related Costs	258,749	4.24%	10,971
Arts Development Fee Trust Fund	Related Costs	55,050	4.24%	2,334
Arts Development Fee Trust Fund	Reserved for Refunds	200,000	3.98%	7,960
B&S Systems Development Fund	Building and Safety Overtime	50,000	4.73%	2,366
B&S Systems Development Fund	Miscellaneous	200,000	4.73%	9,463
B&S Systems Development Fund	Other Project Costs	1,643,825	4.73%	77,776
B&S Systems Development Fund	Related Costs	1,197,805	4.24%	50,787
Bicycle License Fund	Administration	1,000	3.98%	40
Bicycle License Fund	Bicycle Program Coordinator	41,011	3.98%	1,632
City Ethics Commission Fund	Ethics Commission (2000-01)	127,000	3.98%	5,055
City Ethics Commission Fund	Related Costs	15,860	4.24%	672
Code Enforcement Trust Fund	Related Costs-City Departments	1,224,708	4.24%	51,928
Code Enforcement Trust Fund	Unallocated	1,341,937	4.73%	63,492
Community Development Trust Fund	PRIMA 2000 Procurement Re-engineering	2,280	0.00%	-
Community Development Trust Fund	Related Costs	6,452,701	4.24%	273,595
Community Services Administration Grant	Related Costs-City Departments	395,012	4.24%	16,749
Forfeited Assets Trust Fund	Civilianization Match	3,620,777	3.98%	144,107
Forfeited Assets Trust Fund	COPS MORE Match	1,872,688	3.98%	74,533
Forfeited Assets Trust Fund	Related Costs-City Departments	154,371	4.24%	6,545
Forfeited Assets Trust Fund	Supplemental Police Account	1,103,247	3.98%	43,909
HOME Inv. Partnerships Program Fund	Related Costs	1,113,797	4.24%	47,225
Household Hazardous Waste Fund	Related Costs	859,846	4.24%	36,457
Household Hazardous Waste Fund	Zoo Enterprise Trust Fund	20,000	0.00%	-
Housing Op. for Persons with AIDS	Related Costs	76,873	4.24%	3,259
L. A. Conv. and Visitors Bureau Trust Fund	Unallocated	712,900	0.00%	-
Local Law Enforcement Block Grant Fund	Related Costs-City Departments	146,351	4.24%	6,205
Major Projects Review Trust Fund	MCA/Universal	211,343	0.00%	-
Major Projects Review Trust Fund	Playa Vista	2,373,984	0.00%	-
Major Projects Review Trust Fund	Porter Ranch	81,260	0.00%	-
Major Projects Review Trust Fund	Related Costs-City Departments	2,251,652	4.24%	95,470
Major Projects Review Trust Fund	Sunshine Canyon	71,069	0.00%	-
Mobile Source Air Pollution Reduction Fund	Alternate Fuel Fleet Vehicles, Trucks, & Infrastructure	1,250,000	3.98%	49,750
Mobile Source Air Pollution Reduction Fund	ATSAC Projects (CIEP)	2,938,105	3.98%	116,937
Mobile Source Air Pollution Reduction Fund	City Hall Shuttle Contract	276,000	0.00%	-
Mobile Source Air Pollution Reduction Fund	Compressed Natural Gas Fueling Facility	375,000	3.98%	14,925
Mobile Source Air Pollution Reduction Fund	Electric Vehicle Charging Infrastructure	200,000	3.98%	7,960
Mobile Source Air Pollution Reduction Fund	LAPD/R&P/DOT Bicycle Patrol Program	50,000	3.98%	1,990
Mobile Source Air Pollution Reduction Fund	Related Costs	913,421	4.24%	38,729
Mobile Source Air Pollution Reduction Fund	Single Audit Contract	13,000	3.98%	517
Municipal Housing Finance Fund	Acquis., Rehab., and Const. Devel. and Loans	760,000	3.00%	22,800
Municipal Housing Finance Fund	Affordable Housing Trust Fund	1,596,000	3.00%	47,880
Municipal Housing Finance Fund	Reserve	210,492	3.00%	6,315
Procurement Reengineering Trust Fund	PRIMA Project Costs	3,730,000	0.00%	-
Procurement Reengineering Trust Fund	Related Costs	221,919	0.00%	-

TABLE E-7
HARBOR ALLOCATION OF OTHER SPECIAL PURPOSE FUNDS APPROPRIATIONS
FY 2000-01 BUDGET

<u>Fund</u>	<u>Description</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>
Procurement Reengineering Trust Fund	Reserve for Future Capital Projects	6,072,577	0.00%	-
Rent Stabilization Trust Fund	Related Costs-City Departments	1,614,888	4.24%	68,471
Rent Stabilization Trust Fund	Rent Stabilization Reserve	3,749,684	2.12%	79,499
Res. for Extra. Liability Claims Fund	Extraordinary Liability Claims	7,659,913	0.00%	-
Sanitation Equipment Charge Fund	Debt Administration	25,000	4.00%	1,000
Sanitation Equipment Charge Fund	Debt Service	20,693,621	4.00%	827,745
Sanitation Equipment Charge Fund	Related Costs-City Departments	8,612,789	4.24%	365,182
Schedule 29 Fund	Affordable Housing Trust Fund	1,300,000	3.00%	39,000
Schedule 29 Fund	Related Costs-City Departments	2,172,192	4.24%	92,101
Special Fire Safety Tax Fund	Reserve for Taxpayers' Reimbursement	12,281,315	0.00%	-
Special Gas Tax Street Improvement Fund	Engineering Training-Travel	3,000	3.98%	119
Special Gas Tax Street Improvement Fund	Related Costs-City Departments	9,802,055	4.24%	415,607
Special Gas Tax Street Improvement Fund	Transportation Training-Travel	3,000	3.98%	119
Special Police Communications Tax Fund	Bond Administration	50,000	3.64%	1,820
Special Police Communications Tax Fund	Bond Capitalized Interest Reserve	7,994,160	3.64%	291,030
Special Police Communications Tax Fund	Bond Debt Service Reserve	9,281,802	3.64%	337,907
Special Police Communications Tax Fund	Insurance	100,000	3.64%	3,641
Special Police Communications Tax Fund	Lease Payments	11,129,594	3.64%	405,176
Special Police Communications Tax Fund	Lease Reserve	1,231,822	3.64%	44,845
Special Police Communications Tax Fund	Loss Reserve	300,000	3.64%	10,922
Special Police Communications Tax Fund	Related Costs-City Departments	275,829	4.24%	11,695
St. Light. Maintenance Assessment Fund	County Collection Charges	75,000	11.36%	8,523
St. Light. Maintenance Assessment Fund	Energy and Maintenance	17,485,000	11.36%	1,986,932
St. Light. Maintenance Assessment Fund	Los Angeles Neighborhood Initiative	200,000	11.36%	22,727
St. Light. Maintenance Assessment Fund	Office and Administrative	66,120	11.36%	7,514
St. Light. Maintenance Assessment Fund	Office and Technical Equipment	118,000	11.36%	13,409
St. Light. Maintenance Assessment Fund	Official Notices	50,000	11.36%	5,682
St. Light. Maintenance Assessment Fund	Related Costs	3,505,000	4.24%	148,612
St. Light. Maintenance Assessment Fund	Street Lighting Improvement and Supplies	100,000	11.36%	11,364
St. Light. Maintenance Assessment Fund	Tree Trimming	2,700,000	11.36%	306,818
Staples Arena Special Fund	Unallocated	867,201	0.00%	-
Stormwater Pollution Abatement Fund	Emergency Construction Contingency	1,000,000	3.00%	30,000
Stormwater Pollution Abatement Fund	On Call Contractors (Emergency Funds)	500,000	3.00%	15,000
Stormwater Pollution Abatement Fund	Related Costs	6,374,201	4.24%	270,266
Stormwater Pollution Abatement Fund	Repayment Interest	100,000	3.00%	3,000
Stormwater Pollution Abatement Fund	Reserve for Future Capital Projects	1,026,721	3.00%	30,802
Stormwater Pollution Abatement Fund	Unallocated NPDES Implementation	300,000	3.00%	9,000
Telecom. Development Account	Channel 35 Second Audio Program	75,000	0.00%	-
Telecom. Development Account	Citywide Access Corporation	375,000	0.00%	-
Telecom. Development Account	Franchise Renewal Contractual Services/Auditing	300,000	3.08%	9,234
Telecom. Development Account	Municipal Access Expense and Equipment	1,402,801	0.00%	-
Telecom. Development Account	Related Costs-City Departments	734,009	4.24%	31,122
Workforce Investment Act Fund	Related Costs-City Departments	2,575,247	4.24%	109,190
Zoo Enterprise Trust Fund	ADA Upgrades Child. Zoo and Anim. Cont. Area Proj.	400,000	0.00%	-
Zoo Enterprise Trust Fund	Orangutan Exhibit and Animal Health Center Project	300,000	0.00%	-
Total Special Purpose Funds		185,393,574		7,355,406
Total Other Special Purpose Funds		\$ 232,889,305		\$ 7,745,290

**TABLE R-1
HARBOR ALLOCATION OF GENERAL FUND REVENUE
FY 2000-01 BUDGET**

<u>Revenue Item</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>	<u>Notes</u>
Property Tax	567,500,000	3.67%	20,827,250	L.A. County Assessors' estimate for FY2000
Utility Users Tax	450,670,000	4.03%	18,169,969	City FY99 estimate
Business Tax	321,684,000	2.31%	7,435,959	City FY99 estimate
Sales Tax	337,693,000	2.57%	8,690,672	URD/SBOE preliminary estimate
State Motor Vehicle License Fees	199,380,000	4.14%	8,254,332	Population - adjusted for statewide reallocation
Transient Occupancy Tax	103,599,000	1.22%	1,264,653	City FY99 estimate
Municipal Court Fines	88,700,000	1.00%	887,000	City FY99 parking fine estimate
Parking Users Tax	53,100,000	1.00%	531,000	City FY99 estimate
Interest	24,028,000	3.47%	833,772	Function of total revenue allocated
Franchise Income	24,150,000	1.90%	459,247	(See Table R-3 attached)
Civic Center Parking Income	2,000,000	0.00%	-	City FY99 estimate
Transfer from Telecomm. Dev. Account	4,576,176	3.08%	140,857	City FY99 estimate
Transit Shelter Income	1,750,000	3.00%	52,500	City FY99 estimate
Residential Development Fee	1,550,000	8.44%	130,826	City FY99 estimate
Los Angeles Mall Rental Income	515,000	0.00%	-	City FY99 estimate
Subtotal, Geographically Located by City	\$ 2,180,895,176		\$ 67,678,037	
Licenses, Permits, Fees & Fines	391,498,708	6.93%	27,115,822	(See Table R-4 attached)
Power Revenue Transfer	113,300,000	0.00%	-	Assumes City retains ownership of system
Documentary Transfer Tax	88,000,000	3.98%	3,502,400	Assumes City retains ownership of system
Utility Users Tax - Unallocated	53,000,000	3.66%	1,939,800	(See Table R-2 attached)
Transfer from Reserve Fund	16,525,047	0.00%	-	Assumes insufficient funds for allocation
Water Revenue Transfer	24,900,000	0.00%	-	Assumes City retains ownership of system
Franchise Income - Unallocated	20,516,212	3.47%	712,784	(See Table R-3 attached)
Grant Receipts	15,725,000	4.24%	666,740	Total number of employees
Tobacco Settlement	10,100,000	0.00%	-	Not allocated - not part of State MOU
Transfer of Reserve Fund Loan	8,000,000	0.00%	-	Assumes insufficient funds for allocation
Municipal Court Fines - Unallocated	6,400,000	1.00%	64,000	Same as City's estimate for municipal court fines
Capital Finance Admin. Transfer	4,000,000	3.47%	138,800	Function of total revenue allocated
Subtotal, Not Geographically Located by City	\$ 751,964,967		\$ 34,140,346	
Total, General Fund Revenue	\$ 2,932,860,143		\$ 101,818,383	
Percent of Geographically Located Revenue			3.47%	

TABLE R-2
HARBOR ALLOCATION OF UTILITY USERS TAX
FY 2000-01 BUDGET

<u>Revenue Item</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>	<u>Notes</u>
Utility Users Tax - Electrical	217,150,000	4.58%	9,947,951	City FY99 estimate
Utility Users Tax - Telephone	233,520,000	3.52%	8,222,018	City FY99 methodology (no rounding)
	<u>\$ 450,670,000</u>		<u>\$ 18,169,969</u>	
Utility Users Tax - Gas	53,000,000	3.66%	1,939,800	URD/LAFCO estimate
Utility Users Tax - Refunds	-		-	
	<u>\$ 53,000,000</u>		<u>\$ 1,939,800</u>	

**TABLE R-3
HARBOR ALLOCATION OF FRANCHISE FEE
FY 2000-01 BUDGET**

<u>Revenue Item</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>	<u>Notes</u>
Franchise Income - Cable	12,000,000	3.08%	369,364	City FY99 estimate
Franchise Income - Wastewater	9,650,000	0.00%	-	No allocation of costs or revenue
Franchise Income - Police Garage	2,500,000	3.60%	89,883	City FY99 estimate
Total, Allocated	<u>\$ 24,150,000</u>		<u>\$ 459,247</u>	
Franchise Income - Gas	13,800,000	3.66%	\$ 505,080	Same as URD/LAFCO estimate for gas users' tax
Franchise Income - Other	1,800,000	3.98%	71,640	Population
Franchise Income - Taxis	1,700,000	3.04%	51,672	Proportion of year 2000 taxi vehicle authorizations
Total, Unallocated	<u>\$ 17,300,000</u>		<u>\$ 628,392</u>	
Budget Adjustment	\$ 3,216,212	2.62%	84,393	Average allocation from above
Net Total	<u>\$ 20,516,212</u>		<u>\$ 712,784</u>	

TABLE R-4
HARBOR ALLOCATION OF LICENSES, PERMITS, FEES & FINES
FY 2000-01 BUDGET

	2000-01 <u>Budget</u>	% Harbor <u>Allocation</u>	\$ Harbor <u>Allocation</u>	<u>Notes</u>
<u>Special Categories</u>				
Services to Sewer Fund	36,895,000	0.00%	-	No allocation of costs or revenue
Services to Airports	28,721,000	0.00%	-	No allocation of costs or revenue
MTA Reimbursement	25,580,000	0.00%	-	No credit for MTA payment
Services to Harbor	22,785,000	73.63%	16,777,264	(See Table R-5 attached)
Special Funds Related Costs	22,785,000	1.96%	446,744	Function of total special revenue allocated
Grant Funded Related Costs	10,942,000	4.24%	463,941	Total number of employees
Gas Tax Projects	9,802,000	3.98%	390,120	Population
Sanitation Equipment Charge G.F. Reimbursement	8,613,000	4.00%	344,520	City FY99 estimate for SEC revenue
Chargeback Reimbursements	7,653,000	4.24%	324,487	Total number of employees transferred
Services to DWP	6,520,000	0.00%	-	No allocation of costs or revenue
Services to Stormwater Fund	6,373,000	3.00%	191,190	City FY99 estimate
One-Time Reimbursements	6,265,000	4.24%	265,636	Total number of employees transferred
G.O. Bond Reimbursement	3,900,000	0.00%	-	Assumes City administers bonds
City Clerk - School & College Elections	2,148,000	4.24%	91,075	Total number of employees transferred
Police Grants Related Costs	300,000	0.00%	-	
Budget less Special	191,636,456	4.06%	7,780,655	
Total, LPFF	\$ 390,918,456		\$ 27,075,632	
Budget Adjustments	\$ 580,252	6.93%	40,189	
Net Total, LPFF	\$ 391,498,708		\$ 27,115,822	
<u>Budget less Special</u>				
Animal Services	3,188,000	3.98%	126,882	Licenses and shelter fees - population
Building and Services	67,530,456	4.41%	2,976,556	(See Table R-6 attached)
CAO/OARS	228,000	3.98%	9,074	Population
City Attorney	2,654,000	4.24%	112,530	Mostly fees for service - total number of employees
City Clerk	346,000	0.00%	-	Administration of State grant - no allocation
Controller	626,000	4.24%	26,542	Payroll deduction fee, CRA - total employees
Council	5,000	3.98%	199	Population
Cultural Affairs	39,000	3.98%	1,552	Population
EPD	230,000	3.98%	9,154	Population
Environmental Affairs	576,000	0.00%	-	LEA fees - no allocation (City remains LEA)
Finance	65,000	3.98%	2,587	Fees for service - population
Fire	44,350,000	3.71%	1,643,774	(See Table R-7 attached)
General Services	11,278,000	4.24%	478,187	Reimb. from depts., salvage - number of employees
Housing	401,000	4.24%	17,002	Reimb. from depts. - number of employees
Information Services	1,169,000	0.00%	-	Pensions, coin boxes - not allocated
Personnel (including HRB)	5,910,000	4.24%	250,584	Workers comp. - number of employees
Planning	4,484,000	3.98%	178,463	Planning/zoning fees - population
Police	21,005,000	3.98%	835,999	Permits, false alarm/impound fees - population
Bureau of Accounting	177,000	4.24%	7,505	Reimb. of acct. services - number of employees
Board Office	312,000	4.24%	13,229	Reimb. from depts. - number of employees
Bureau of Contract Administration	5,680,000	3.98%	226,064	Permits, fees, reimbursements - population
Bureau of Engineering	6,312,000	3.98%	251,218	Permits, fees, reimbursements - population
Management Employee Services	71,000	4.24%	3,010	Reimb. of services - number of employees
Bureau of Sanitation	54,000	3.98%	2,149	Sale of refuse - population
Bureau of Street Services	4,191,000	3.98%	166,802	Assessments, permits, repairs, fines - population
Transportation	5,546,000	3.98%	220,731	Permits, repairs, fines - population
Misc. Taxes & Fees	3,300,000	4.24%	139,920	Total number of employees transferred
General Fund - Misc.	1,909,000	4.24%	80,942	Total number of employees transferred
	191,636,456		7,780,655	

TABLE R-5
SERVICES TO HARBOR (REIMBURSEMENT FROM HARBOR DEPARTMENT)
FY 2000-01 BUDGET

<u>Department</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>	<u>Notes</u>
Administration and Research Serv.	106,090	0.00%	-	- Function retained by City
City Attorney	1,899,120	0.00%	-	- Function retained by City
Controller	138,000	0.00%	-	- Function retained by City
Information Technology	1,400	0.00%	-	- Function retained by City
Fire	13,175,957	100.00%	13,175,957	
Finance	32,001	0.00%	-	- Function retained by City
L.A. Convention Center	1,040,311	0.00%	-	- Not allowable per settlement agreement
General City Purposes	82,115	0.00%	-	- Function retained by City
Non-Departmental-General	5,144,724	70.00%	3,601,307	Adjusted per settlement agreement
Bureau of Contract Admin.	1,125,697	0.00%	-	- Function retained by City
Bureau of Street Services	40,000	0.00%	-	- Function retained by City
Total, Service to Harbor	\$ 22,785,415		\$ 16,777,264	

TABLE R-6
HARBOR ALLOCATION OF BUILDING AND SAFETY DEPARTMENT LICENSES, PERMITS, FEES & FINES
FY 2000-01 BUDGET

<u>Source</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>	<u>Notes</u>
Construction Permits	\$19,982,219	5.02%	1,003,563	FY00 "Permits Issued" workload measurements
Other Licenses and Permits	500,246	4.64%	23,210	Proportion of department employees
State Mandated Program Reimbursement	25,000	4.64%	1,160	Proportion of department employees
Special Building and Safety Services	2,371,399	4.64%	110,028	Proportion of department employees
Other Government Services	6,656	4.64%	309	Proportion of department employees
Plan Checking Fees	21,293,817	4.04%	861,020	FY00 "Plan Checks" workload measurements
Engineering Fees, Inspection and Other Services	23,341,119	4.18%	976,801	FY00 "Inspections" workload measurements
Miscellaneous Revenues	10,000	4.64%	464	Proportion of department employees
Reimbursement from Other Funds	482,957	4.64%	22,408	Proportion of department employees
Total, Fire	68,013,413		2,998,964	
<u>Special Categories - Fire</u>				
Reimbursement from Other Funds	(482,957)	4.64%	(22,408)	Proportion of department employees
Total, Special Categories - Fire	(482,957)		(22,408)	
Net Total	67,530,456		2,976,556	

TABLE R-7
HARBOR ALLOCATION OF FIRE DEPARTMENT LICENSES, PERMITS, FEES & FINES
FY 2000-01 BUDGET

<u>Source</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>	<u>Notes</u>
Brush Removals	1,521,005	3.98%	60,536	Population
Filming Permits	1,600,000	3.98%	63,680	Population
Reimb From Other Agencies	500	3.98%	20	Population
Continuing Permits Section 5704	1,550,000	3.98%	61,690	Population
Non-Continuing Permits	825,000	3.98%	32,835	Population
Fire Safety Off Cost Recovery	500,000	3.98%	19,900	Population
Fire Service for San Fernando	1,840,000	0.00%	-	Assumes Valley FD will provide service
Fire Services Restitution	45,000	3.98%	1,791	Population
Inspection Restitution	280,000	3.98%	11,144	Population
Miscellaneous-Fire Service	250,000	3.98%	9,950	Population
Underground Storage Tk-Plan Ck	150,000	3.98%	5,970	Population
Unified Program-Annual Fees	4,150,000	3.98%	165,170	Haz. mat. related - population
High-Rise Inspection Fee	1,400,000	0.32%	4,444	Estimated proportion of Harbor office buildings
Fir Sfty Clear Insp-Care Facil	15,000	3.98%	597	Population
Spot Check Prog Cost Recovery	420,000	3.98%	16,716	Population
Brush Clearance Restitution	245,322	3.98%	9,764	Population
Emergency Ambulance Services	28,697,284	3.98%	1,142,152	Population
Kaiser Patient Transport	285,000	3.98%	11,343	Population
Service to Propr Dept-Airports	10,640,000	0.00%	-	Allocated as a "special category"
Service to Propr Dept-Harbor	13,175,957	0.00%	-	Allocated as a "special category"
Miscellaneous Revenues	1,000	3.98%	40	Population
Reimb Empl Rel - UFLAC	225,942	6.25%	14,129	Union related - number of FD employees transferred
Jury Duty Reimbursement	2,000	3.98%	80	Population
Fire-Noncompliance Billing	113,077	3.98%	4,500	Population
Brush Non-Compliance Fee	133,983	3.98%	5,333	Population
Anti Smoking Noncompliance Fee	50,000	3.98%	1,990	Population
Total, Fire	68,116,070		1,643,774	
<u>Special Categories - Fire</u>				
Service to Propr Dept-Airports	(10,640,000)	0.00%	-	Assumes City retains ownership of Airports
Service to Propr Dept-Harbor	(13,175,957)	0.00%	-	Allocated as a "special category"
Total, Special Categories - Fire	(23,815,957)		-	
Net Total	44,300,113		1,643,774	
Adjustment to Match Budget	49,887		-	
Net Adjusted Total	44,350,000		1,643,774	

TABLE R-8
HARBOR ALLOCATION OF SPECIAL PURPOSE FUND REVENUE
FY 2000-01 BUDGET

<u>Revenue Item</u>	<u>2000-01 Budget</u>	<u>% Harbor Allocation</u>	<u>\$ Harbor Allocation</u>	<u>Allocation Method</u>
Sewer Construction and Maintenance Fund (14)	484,099,203	0.00%	-	Assumes City retains ownership of system
Special Gas Tax Street Improvement Fund (5)	98,372,691	4.14%	4,072,629	Population - adjusted for statewide reallocation
Proposition A Local Transit Assistance Fund (26)	60,400,200	3.98%	2,403,928	Population
San. Equipment Charge Special Revenue Fund (2)	47,699,800	4.00%	1,907,993	City FY99 estimate
Proposition C Anti-Gridlock Transit Impr. Fund (27)	47,387,000	3.98%	1,886,003	Population
Stormwater Pollution Abatement Fund (7)	30,190,077	3.00%	905,703	City FY99 estimate applied to all fund revenue
Convention Center Revenue Fund (16)	26,567,000	0.00%	-	Assumes City retains ownership
Special Parking Revenue Fund (11)	24,235,812	1.23%	297,092	City FY99 estimate
L. A. Conv. and Visitor's Bureau Trust Fund (1)	15,938,000	0.00%	-	Assumes City retains ownership
Zoo Enterprise Trust Fund (44)	15,494,909	0.00%	-	Assumes City retains ownership
Supplemental Law Enforcement Services (46)	8,437,000	3.98%	335,793	Population
Arts and Cul. Fac. and Services Trust Fund (24)	8,029,000	1.22%	98,012	City FY99 TOT estimate
Code Enforcement Trust Fund (42)	6,900,000	2.63%	181,427	City FY99 estimate
Rent Stabilization Trust Fund (23)	6,800,000	2.12%	144,171	City FY99 estimate
Mobile Source Air Pollution (10)	5,682,310	3.98%	226,156	Population
Major Projects Review Trust Fund (35)	4,989,308	0.00%	-	City FY99 estimate
Telecom. Liq. Dam. and Lost Franchise Fees (20)	3,423,824	3.08%	105,386	City FY99 estimate
City Employees Ridesharing Fund (12)	2,478,107	0.12%	2,981	City FY99 estimate
El Pueblo de Los Angeles Hist. Mon. Rev. (43)	2,353,300	0.00%	-	Assumes City retains ownership
Staples Arena Special Fund (31)	2,148,170	0.00%	-	City FY99 estimate
Elder Americans Act Fund (21)	1,284,541	0.00%	-	Assumes no allocation to Harbor
City Ethics Commission Fund (30)	1,151,214	4.24%	48,811	Function of total number of employees
Municipal Housing Finance Fund (48)	984,400	3.00%	29,532	City FY99 estimate
Park and Recreational Sites and Facilities Fund (15)	850,000	8.44%	71,743	City FY99 estimate
Subtotal, Geographically Located by City	\$ 905,895,866		\$ 12,717,358	
Street Lighting Maintenance Assessment Fund (19)	44,847,000	11.36%	5,096,250	Proportion of Street Lighting "Field Operations" staff
Community Development Trust Fund (8)	29,195,622	4.00%	1,167,825	City FY99 estimate
Local Public Safety Fund (17)	28,220,000	0.00%	-	Assumes no allocation to Harbor
Traffic Safety Fund (4)	18,000,000	3.98%	716,400	Population
Spec. Police Communications/911 System Tax (33)	14,136,907	0.00%	-	Assumes City remains as administrator
Allocations from other sources (29)	14,097,846	4.24%	597,749	Total number of employees transferred
Workforce Investment Act (22)	11,622,756	4.00%	464,910	City FY99 estimate for Community Devel. Trust
Procurement Reengineering Trust Fund (32)	10,756,545	0.00%	-	Results from City savings - no allocation to Harbor
Local Law Enforcement Block Grant Fund (45)	8,845,417	3.58%	316,348	Proportion of Police staff transferred
Reserve for Extraordinary Liability Claims (49)	7,659,913	0.00%	-	G.F. appropriation - no allocation or expenditure
CERS - Airport Revenue	6,212,198	0.00%	-	Assumes City retains ownership of Airports
Spec. Fire Safety and Para. Communications (6)	5,215,733	0.00%	-	Related to overpayment - tax no longer assessed
HOME Investment Partnerships Program Fund (9)	4,337,398	4.00%	173,496	City FY99 estimate for Community Devel. Trust
Building and Safety Sys. Devel. Trust Fund (40)	3,950,000	4.42%	174,467	Ave. of workload permits, plan checks, inspections
Household Hazardous Waste Special Fund (39)	2,076,000	3.98%	82,625	Population
CERS - Harbor Revenue	1,909,358	0.00%	-	Assumes City retains ownership of Harbor
Local Transportation Fund (34)	1,700,000	3.98%	67,660	Allocated by MTA based on population
Landfill Maintenance Special Fund (38)	1,521,000	3.98%	60,536	Sale of recyclables - population
Community Services Administration Grant (13)	1,509,965	4.00%	60,399	City FY99 estimate for Community Devel. Trust
Rental Housing Production Fund	1,300,000	2.70%	35,116	Proportion of rental units
Street Damage Restoration Fee Fund (47)	1,000,000	4.24%	42,400	Function of total number of employees
Arts Development Fee Trust Fund (25)	722,000	3.98%	28,736	Function of private construction - population
Housing Opportunities for Persons with AIDS (41)	267,150	0.00%	-	Assumes no allocation to Harbor
Forfeited Assets Trust Fund (3)	152,000	3.98%	6,050	Population as proxy
Bicycle License Fund (18)	24,600	3.98%	979	Population as proxy
Disaster Assistance Trust Fund (37)	(12,850,000)	0.00%	-	Assumes no allocation to Harbor
Subtotal, Not Geographically Located by City	\$ 206,429,408		\$ 9,091,944	
Total, Special Purpose Fund Revenue	\$ 1,112,325,274		\$ 21,809,303	

Appendix IV: Harbor City Budget Detail

TABLE B-1
HARBOR CITY - PERSONNEL AND NON-DEPARTMENTAL BUDGET
FISCAL YEAR 2003-04 THROUGH 2005-06

	2002-03	2003-04	2004-05	2005-06
Summary: All Expenditures				
FTEs (excluding Councilmembers)	11	11	11	11
Departmental Expenditures				
City Council	\$76,364	\$119,402	\$119,402	\$119,402
City Manager	141,775	271,555	271,555	271,555
City Clerk	96,039	187,182	187,182	187,182
City Attorney	108,459	185,287	185,287	185,287
City Controller	72,609	143,737	143,737	143,737
Planning	107,656	208,615	208,615	208,615
Public Works	155,410	161,368	161,368	161,368
Departmental Expenditures Subtotal	\$758,311	\$1,277,147	\$1,277,147	\$1,277,147
Non-Departmental Expenditures				
Operations	\$98,988	\$191,620	\$191,620	\$191,620
Office Space Rental	67,024	134,047	134,047	134,047
Capital Outlay	198,000	118,800	118,800	118,800
Non-Departmental Expenditures Subtotal	\$364,011	\$444,467	\$444,467	\$444,467
Total Estimated Expenditures	\$1,122,323	\$1,721,614	\$1,721,614	\$1,721,614

TABLE B-2
HARBOR CITY - CITY COUNCIL AND MAYOR BUDGET
FISCAL YEAR 2003-04 THROUGH 2005-06

Assumptions				0	1	2	3
				2002-03	2003-04	2004-05	2005-06
City Council & Mayor							
		Growth	Transition				
		<u>Rate</u>	<u>Period</u>				
			<u>Months</u>				
City Council Member				5.0	5.0	5.0	5.0
Annual Salary	\$ 9,600	0.0%	6.5	\$26,000	\$48,000	\$48,000	\$48,000
Benefits	20.00%			\$5,200	\$9,600	\$9,600	\$9,600
Subtotal				\$31,200	\$57,600	\$57,600	\$57,600
Secretary - FTE				1.0	1.0	1.0	1.0
Annual Salary	\$ 30,252	0.0%	6.5	\$16,387	\$30,252	\$30,252	\$30,252
Benefits	20.00%			\$3,277	\$6,050	\$6,050	\$6,050
Subtotal				\$19,664	\$36,302	\$36,302	\$36,302
Personnel Subtotal				\$50,864	\$93,902	\$93,902	\$93,902
Other Department Costs							
Operations							
Memberships and Dues	\$1,000/Councilmember			\$5,000	\$5,000	\$5,000	\$5,000
Travel/Conference/Meetings	\$2,000/Councilmember			10,000	10,000	10,000	10,000
Books/Periodicals				500	500	500	500
Miscellaneous Expenses				10,000	10,000	10,000	10,000
Other Department Costs Subtotal				\$25,500	\$25,500	\$25,500	\$25,500
Total Full Time Equivalent Employees				6.0	6.0	6.0	6.0
Total City Council Expenditures				\$76,364	\$119,402	\$119,402	\$119,402

TABLE B-3
HARBOR CITY - CITY MANAGER BUDGET
FISCAL YEAR 2003-04 THROUGH 2005-06

Assumptions				0	1	2	3
				2002-03	2003-04	2004-05	2005-06
City Manager							
		Growth	Transition				
		<u>Rate</u>	<u>Period</u>				
			<u>Months</u>				
City Manager - FTE				1.0	1.0	1.0	1.0
Annual Salary	\$ 145,622	0.0%	6.5	\$78,879	\$145,622	\$145,622	\$145,622
Benefits	20.51%			\$16,178	\$29,867	\$29,867	\$29,867
Subtotal				\$95,057	\$175,489	\$175,489	\$175,489
Assistant City Manager - FTE				1.0	1.0	1.0	1.0
Annual Salary	\$49,653	0.0%	6.5	\$26,895	\$49,653	\$49,653	\$49,653
Benefits	20.51%			\$5,516	\$10,184	\$10,184	\$10,184
Subtotal				\$32,412	\$59,837	\$59,837	\$59,837
Secretary - FTE				0.5	0.5	0.5	0.5
Annual Salary	\$30,252	0.0%	3.0	\$3,782	\$15,126	\$15,126	\$15,126
Benefits	20.51%			\$776	\$3,102	\$3,102	\$3,102
Subtotal				\$4,557	\$18,228	\$18,228	\$18,228
Personnel Subtotal				\$132,025	\$253,555	\$253,555	\$253,555
Other Department Costs							
Operations							
Memberships and Dues			6.5	\$1,083	\$2,000	\$2,000	\$2,000
Travel/Conference/Meetings			6.5	2,708	5,000	5,000	5,000
Books/Periodicals			6.5	542	1,000	1,000	1,000
Miscellaneous Expenses			6.5	5,417	10,000	10,000	10,000
Other Department Costs Subtotal				\$9,750	\$18,000	\$18,000	\$18,000
Total Full Time Equivalent Employees				2.5	2.5	2.5	2.5
Total City Manager Office Expenditures				\$141,775	\$271,555	\$271,555	\$271,555

TABLE B-4
HARBOR CITY - CITY CLERK BUDGET
FISCAL YEAR 2003-04 THROUGH 2005-06

Assumptions				0	1	2	3
				2002-03	2003-04	2004-05	2005-06
City Clerk							
		Growth	Transition				
		Rate	Period				
			Months				
City Clerk - FTE				1.0	1.0	1.0	1.0
Annual Salary	\$119,814	0.0%	6.5	\$64,899	\$119,814	\$119,814	\$119,814
Benefits	21.30%			\$13,824	\$25,520	\$25,520	\$25,520
Subtotal				\$78,723	\$145,334	\$145,334	\$145,334
Secretary - FTE				0.5	0.5	0.5	0.5
Annual Salary	\$30,252	0.0%	3.0	\$3,782	\$15,126	\$15,126	\$15,126
Benefits	21.30%			\$805	\$3,222	\$3,222	\$3,222
Subtotal				\$4,587	\$18,348	\$18,348	\$18,348
Personnel Subtotal				\$83,310	\$163,682	\$163,682	\$163,682
Other Department Costs							
Operations							
Memberships and Dues			6.5	\$271	\$500	\$500	\$500
Travel/Conference/Meetings			6.5	1,083	2,000	2,000	2,000
Books/Periodicals			6.5	542	1,000	1,000	1,000
Legal Notices			6.5	5,417	10,000	10,000	10,000
Miscellaneous Expenses			6.5	5,417	10,000	10,000	10,000
Other Department Costs Subtotal				\$12,729	\$23,500	\$23,500	\$23,500
Total Full Time Equivalent Employees				1.5	1.5	1.5	1.5
Total City Clerk Office Expenditures				\$96,039	\$187,182	\$187,182	\$187,182

**TABLE B-5
HARBOR CITY - CITY ATTORNEY BUDGET
FISCAL YEAR 2003-04 THROUGH 2005-06**

Assumptions				0 2002-03	1 2003-04	2 2004-05	3 2005-06
City Attorney Office							
		Transition					
City Attorney - FTE		Growth	Period	1.0	1.0	1.0	1.0
		<u>Rate</u>	<u>Months</u>				
Annual Salary	\$135,000	0.0%	6.5	\$73,125	\$135,000	\$135,000	\$135,000
Benefits	16.76%			\$12,256	\$22,626	\$22,626	\$22,626
Subtotal				\$85,381	\$157,626	\$157,626	\$157,626
Secretary - FTE				0.5	0.5	0.5	0.5
Annual Salary	\$30,252	0.0%	3.0	\$15,126	\$15,126	\$15,126	\$15,126
Benefits	16.76%			\$2,535	\$2,535	\$2,535	\$2,535
Subtotal				\$17,661	\$17,661	\$17,661	\$17,661
Personnel Subtotal				\$103,042	\$175,287	\$175,287	\$175,287
Other Department Costs							
Operations							
Miscellaneous Expenses			6.5	5,417	\$10,000	\$10,000	\$10,000
Other Department Costs Subtotal				\$5,417	\$10,000	\$10,000	\$10,000
Total Full Time Equivalent Employees				1.5	1.5	1.5	1.5
Total City Attorney Expenditures				\$108,459	\$185,287	\$185,287	\$185,287

TABLE B-6
HARBOR CITY - CONTROLLER DEPARTMENT BUDGET
FISCAL YEAR 2003-04 THROUGH 2005-06

Assumptions				0	1	2	3
				2002-03	2003-04	2004-05	2005-06
City Controller			Transition				
		Growth	Period				
		Rate	Months				
City Controller - FTE				1.0	1.0	1.0	1.0
Annual Salary	\$97,277	0.0%	6.5	\$52,692	\$97,277	\$97,277	\$97,277
Benefits	18.98%			\$10,001	\$18,463	\$18,463	\$18,463
Subtotal				\$62,693	\$115,740	\$115,740	\$115,740
Secretary - FTE				0.5	0.5	0.5	0.5
Annual Salary	\$30,252	0.0%	3.0	\$3,782	\$15,126	\$15,126	\$15,126
Benefits	18.98%			\$718	\$2,871	\$2,871	\$2,871
Subtotal				\$4,499	\$17,997	\$17,997	\$17,997
Personnel Subtotal				\$67,192	\$133,737	\$133,737	\$133,737
Other Department Costs							
Operations							
Memberships and Dues			6.5	\$271	\$500	\$500	\$500
Travel/Conference/Meetings			6.5	813	1,500	1,500	1,500
Books/Periodicals			6.5	271	500	500	500
Miscellaneous Expenses			6.5	5,417	10,000	10,000	10,000
Other Department Costs Subtotal				\$6,771	\$12,500	\$12,500	\$12,500
Total Full Time Equivalent Employees				1.5	1.5	1.5	1.5
Total City Controller Office Expenditures				\$72,609	\$143,737	\$143,737	\$143,737

TABLE B-7
HARBOR CITY - PLANNING DEPARTMENT BUDGET
FISCAL YEAR 2003-04 THROUGH 2005-06

Assumptions				0	1	2	3
				2002-03	2003-04	2004-05	2005-06
Planning Department							
		Growth	Transition				
		<u>Rate</u>	<u>Period</u>				
			<u>Months</u>				
Director of Planning - FTE				1.0	1.0	1.0	1.0
Annual Salary	\$143,477	0.0%	6.5	\$77,716	\$143,477	\$143,477	\$143,477
Benefits	21.13%			\$16,421	\$30,317	\$30,317	\$30,317
Subtotal				\$94,138	\$173,793	\$173,793	\$173,793
Secretary - FTE				0.5	0.5	0.5	0.5
Annual Salary	\$30,252	0.0%	3.0	\$3,782	\$15,126	\$15,126	\$15,126
Benefits	21.13%			\$799	\$3,196	\$3,196	\$3,196
Subtotal				\$4,581	\$18,322	\$18,322	\$18,322
Personnel Subtotal				\$98,718	\$192,115	\$192,115	\$192,115
Other Department Costs							
Operations							
Memberships and Dues			6.5	\$542	\$1,000	\$1,000	\$1,000
Travel/Conference/Meetings			6.5	2,708	5,000	5,000	5,000
Books/Periodicals			6.5	271	500	500	500
Miscellaneous Expenses			6.5	5,417	10,000	10,000	10,000
Other Department Costs Subtotal				\$8,938	\$16,500	\$16,500	\$16,500
Total Full Time Equivalent Employees				1.5	1.5	1.5	1.5
Total Planning Department Expenditures				\$107,656	\$208,615	\$208,615	\$208,615

TABLE B-8
HARBOR CITY - PUBLIC WORKS DEPARTMENT BUDGET
FISCAL YEAR 2003-04 THROUGH 2005-06

Assumptions				0	1	2	3
				2002-03	2003-04	2004-05	2005-06
Public Works Department							
		Growth	Transition				
		<u>Rate</u>	<u>Period</u>				
			<u>Months</u>				
Director of Public Works - FTE				1.0	1.0	1.0	1.0
Annual Salary	\$107,099	0.0%	6.5	\$107,099	\$107,099	\$107,099	\$107,099
Benefits	21.39%			\$22,908	\$22,908	\$22,908	\$22,908
Subtotal				\$130,007	\$130,007	\$130,007	\$130,007
Secretary - FTE				0.5	0.5	0.5	0.5
Annual Salary	\$30,252	0.0%	3.0	\$15,126	\$15,126	\$15,126	\$15,126
Benefits	21.39%			\$3,235	\$3,235	\$3,235	\$3,235
Subtotal				\$18,361	\$18,361	\$18,361	\$18,361
Personnel Subtotal				\$148,368	\$148,368	\$148,368	\$148,368
Other Department Costs							
Operations							
Memberships and Dues			6.5	\$271	\$500	\$500	\$500
Travel/Conference/Meetings			6.5	1,083	2,000	2,000	2,000
Books/Periodicals			6.5	271	500	500	500
Miscellaneous Expenses			6.5	5,417	10,000	10,000	10,000
Other Department Costs Subtotal				\$7,042	\$13,000	\$13,000	\$13,000
Total Full Time Equivalent Employees				1.5	1.5	1.5	1.5
Total Public Works Department Expenditures				\$155,410	\$161,368	\$161,368	\$161,368

TABLE B-9
HARBOR CITY - NON-DEPARTMENTAL BUDGET
FISCAL YEAR 2003-04 THROUGH 2005-06

Assumptions				0	1	2	3
				2002-03	2003-04	2004-05	2005-06
Non-Departmental							
				Transition			
				Growth	Period		
				<u>Rate</u>	<u>Months</u>		
FTEs (excluding Councilmembers)				11	11	11	11
Operations							
Office Supplies (all departments)	\$3,000 per FTE	0.0%	6.5	\$17,875	\$33,000	\$33,000	\$33,000
Printing and Duplication	Based on city survey	0.0%	6.5	8,125	10,000	10,000	10,000
Postage	Based on city survey	0.0%	6.5	8,125	10,000	10,000	10,000
Utilities	Based on city survey	0.0%	6.5	6,500	8,000	8,000	8,000
Equipment Maintenance	10% of Year 1 Capital Outlay	0.0%	6.5	0	19,800	19,800	19,800
Insurance	4% of staffing costs	0.0%	6.5	25,147	46,426	46,426	46,426
Contingency	5% of total dept. & non-dept. costs	0.0%	6.5	33,216	64,394	64,394	64,394
Operations Subtotal				\$98,988	\$191,620	\$191,620	\$191,620
Office Space Rental							
Staff	230 sqft./FTE @ \$2.02/sqft./mo	0.0%		\$30,664	\$61,327	\$61,327	\$61,327
Council Chamber	3,000 sqft	0.0%		36,360	72,720	72,720	72,720
Office Space Rental Subtotal				\$67,024	\$134,047	\$134,047	\$134,047
Capital Outlay							
Initial Computers, Furnishings	\$8,000 per FTE in Year 1, then 10%	0.0%		\$88,000	\$8,800	\$8,800	\$8,800
Miscellaneous Capital Outlay	\$10,000 per FTE	0.0%		110,000	110,000	110,000	110,000
Capital Outlay Subtotal				\$198,000	\$118,800	\$118,800	\$118,800
Total Non-Departmental Expenditures				\$364,011	\$444,467	\$444,467	\$444,467

U.C. BERKELEY LIBRARIES



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Public Financial Management